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**STRATEGY MAKING PROCESS, ITS
CONTENT AND CONTEXT IN SMALL
PROFESSIONAL FOOTBALL CLUBS**

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THESIS SUMMARY

This thesis examines the phenomenon of strategy-making as practised by small professional football clubs. The study was undertaken because football clubs were perceived to have problems with strategy-making and because it was believed that the specific circumstances of football clubs could be outside the range of views covered by conventional views of strategy-making. The characteristics of the club environment are its uncertainty and unpredictability, simultaneous competition and co-operation, strong regulations, and a not-for-profit orientation. Small clubs in particular face a constant struggle for financial viability and survival, due in part to split business and playing objectives.

The study was designed to establish the extent and nature of the difficulties clubs experience with a view to preparing the way for creating practical guidance on ways to overcome them. Clearly, in order to survive in the long term, small professional football clubs require very effective strategic decisions. This study has addressed this issue by inquiring into the nature of strategy making for these organisations with the objective to establish the general direction in which the football clubs in question should be moving. As a result, the main research question to guide this investigation was determined as: Why do small professional football clubs have difficulties making strategies.

The investigation was based on an analysis the concept of strategy and its elements, the strategic vision and objectives, the process by which strategic action comes about, the strategic action itself, and the context within which this action occurs. Data has been collected, analysed and interpreted in relation to each of these elements. Together with a wide variety of published material, 20 small football clubs have been sampled and personal interviews were conducted with board members of those clubs.

The findings indicate that small football clubs do indeed experience considerable difficulties in making strategies, the reasons for which lie both in the characteristics of their competitive environment and their approaches to strategy-making. The competitive environment is characterised by a cartel-like structure with a high degree of regulation, high levels of uncertainty, little control over the core product or the production process, short-term business cycles and a close geographical link between a club with its local market. The management of clubs is characterised by the need to balance conflicting sporting and business objectives. Formal planning techniques are of little use in the small football club context as decision-making processes have a strong political character and the development of novel strategies is hindered by a strong conservative industry paradigm and a lack of financial and managerial resources. It is concluded that there is no simple advice to be given to clubs, as they must re-examine the relationship between their playing and business objectives to create a unified and workable approach.

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Martin Valynseele, December 1999

Chapter 1

Introduction

1.1. Introduction

This thesis has its origin in the author's combined interest in the phenomenon of strategy and the football industry. The interest to investigate strategy processes in the context of sporting organisations was stirred by the perceived difficulty of football clubs to successfully ensure their long-term development. This study investigates whether the current problems experienced by many of the small clubs in the football industry can, at least in part, be attributed to a lack of strategy-making. At this stage, it is hypothesised that the complexity of the strategy concept and the somewhat special environmental conditions which characterise the football industry pose extreme difficulties to successful strategy-making. This study sets out to explore this issue in detail by gaining an in-depth understanding of the experience of managing a small professional football club. Through an inquiry into the nature of strategy-making in these organisations it is hoped to provide a better understanding of how the concept of strategy can be applied in such difficult situations. The remainder of this introductory chapter will provide a brief description of this study, explore more precisely the elements which have motivated this investigation as well as presenting the structure of the thesis.

1.2 The Study

It has been said in the introduction to this chapter that the starting point of the study was the author's interest in the strategy concept and the workings of the football industry. In very broad terms, the concept of strategy is concerned with the successful future development of an organisation. The concept can be seen as complex because it transcends all organisational functions, it involves environmental analysis from a multitude of perspectives and it can find application at a number of organisational levels. Whittington

(1993) provides an interesting comment about the intriguing characteristic of the strategy concept in the introduction to his strategy text:

" There are thirty-seven books in print with the title Strategic Management. Most are thick tomes, filled with charts, lists and nostrums, promising the reader the fundamentals of corporate strategy. These texts generally sell at prices less than £25. There is a basic implausibility about these books. If the secrets of corporate strategy could be acquired for £25, then we would not pay our top managers so much. If there was really so much agreement on the fundamentals of corporate strategy, then strategic decisions would not be so hard to make. "

Whittington (1993) outlines exactly what makes strategy a fascinating area of study; it is extremely difficult because it is not exactly clear what it is and where it starts or finishes. The focus of this project on small football clubs is derived from the belief that strategy-making will have different characteristics in a small business environment and from the more concrete assumption that small football clubs face a different environment than the top clubs in the industry and therefore require a different set of approaches.

Concerning the small business aspect of the study, a number of comments in the small business management literature, such as from Sexton & Van Auken (1982) and D'Amboise & Muldowney (1988), identify a lack of research carried out into small business management. D'Amboise & Muldowney (1988) have advocated a focus on the complete organisational context for studies on small business management rather than a selection of individual parts within a firm and this "holistic" approach has been adopted for this investigation.

The interest in researching the issue of strategy in the specific context of the football industry is grounded in the industry's characteristics. Football clubs compete in a hostile environment against large numbers of highly motivated rivals, but at the same time they have to co-operate with their rivals to some degree in organising the structure of competitions and agreeing basic rules by which all clubs have to abide. Football clubs themselves display not-for-profit characteristics; Szymanski & Kuypers (1999) remark that the most important issue a club has to resolve is the appropriate balance between the pursuit of profit and the pursuit of playing success. The current financial difficulties experienced mostly by smaller clubs are well documented in the football related literature and Conn (1997) in particular identifies the need for exceptional leadership and strong strategies if lower division clubs are to survive.

This research project was started in October 1995 and was completed in December 1999. The work took place at Aston University in Birmingham. The organisations under investigation were small professional football clubs in Britain. Documentary data was collected from a wide variety of sources and complemented by an interview survey of chairmen of small clubs. 20 Football League club chairmen participated in the interview survey, sampled according to their availability and willingness to participate. The interview itself was semi-structured to ensure that the respondents could speak freely without the talk being too unfocused. Each interview lasted about 1 hour. The data analysis categorises the collected views according to their expression of values and objectives, process perspectives, strategy outcomes and influences from environmental factors. The results are interpreted according to a set of theoretical frameworks. The findings contribute to the body of academic literature on the management of sports organisations, strategic management literature and strategy-making in the small business and not-for-profit contexts.

1.3 Thesis Structure

The thesis is structured as follows:

The thesis begins with this introduction of the research topic and explanations for how it evolved. The next two chapters provide the background knowledge to the study, with chapter two reviewing the literature relevant in the football industry and chapter three defining the concept of strategy and its various dimensions in detail to provide the basis for a subsequent formulation of a set of clearly focused research questions. Chapter four contains the study's methodology, which is drawn from a qualitative background. Details of sample selection, data collection, data analysis and interpretation are described. Chapter five presents the preliminary results of the investigation. The data is categorised according to a number of frameworks, which have been outlined in chapters two and three. This analysis also formed the basis of the reports given to organisations that participated in the study. In chapter six, the results presented in chapter five are interpreted according to the main theoretical frameworks discussed in the strategy theory chapter. Chapter seven begins by discussing the results from the analysis and interpretation stages. The research questions are answered and the results are then discussed in relation to previous works in the strategy field, with additional consideration given to the small business and not-for-profit contexts. In the light of the results, an

attempt is made at formulating recommendations to football club management and the industry's governing bodies. Finally, an agenda for future research is developed from the shortcomings of this current work.

Chapter 2

Football Industry Literature

2.1 Introduction

The aim of this chapter is to review in more detail the context of the study and at the same time provide an overview of the existing literature on the football sector. The focus is first on the wider industry context and then on issues more closely associated with the clubs themselves. The types of literature available on the football industry are mainly journal articles and research reports, books, financial reports and official reports commissioned by the governing bodies or government as well as press and media reports. The section on industry related works discusses the specific economics of sporting leagues, the economics of the football industry and studies conducted following a particular event or development in the industry. The section on club related issues starts with studies concerned with the internal organisation of football clubs and individual policy issues, before considering the topic of strategy in the football industry.

2.2 The Football Industry

Sloane (1980) remarks that the economics of team sports are peculiar because it is not possible to provide a product without the assistance of other teams, or rival producers. Two teams opposed to each other in play are like two firms producing a single product. The product is the game. In one sense, the teams compete, in another they combine in a single organisation, which is the league. Unlike many products, consumption is spread over a long period at discrete intervals – the season – and it takes place in a limited number of venues – the stadia – which are geographically dispersed. The market is therefore segmented, since the majority of spectators will only attend at one venue, broadly governed by where they live. As a result, each club can be thought of as having a local

monopoly. Furthermore, as the number of employees is fairly limited, the quality of labour becomes of paramount importance. A team with star players will attract more spectators than a team without star players and clubs are therefore prepared to pay large transfer fees for star players. Another particular feature is the interrelatedness of product and labour markets because spectators are actually observing the productive process, the football match. Arnold & Beneviste (1987b) argue that due to the intrinsic need for co-operation between clubs to stage a football match, clubs require an organised structure to provide centralised administration, to promote the product and to operate joint policies that further the collective interest of clubs. Sloane (1980) argues that the league can be seen as a cartel which, apart from setting up a certain set of rules, cross-subsidises its members. According to Arnold & Beneviste (1987b), the objective of cartels is to determine a structure of rules to cause individual members to act in the interest of the groups as a whole.

The Leagues within which football clubs compete and the governing bodies for football can be said to be the trade organisations of the industry. The top division is the Premier League (PL), which was founded in 1992 after the top clubs in the industry decided to break away from the Football League (FL). The next three divisions are run by the Football League, which was founded in 1888. The national governing body for all of football, professional and amateur, in England and Wales is the Football Association (FA), founded in 1871. The FA is responsible for football regulations, rules, the running of the FA Cup and the English national team. The Premier League runs the league competition for the top division. The Football League runs the League Cup, currently called the Worthington Cup, as well as the cup competition for the lower league clubs, currently called the Auto Windscreens Shield. The European governing body for football, UEFA, and the world governing body for football, FIFA, run the European cup competitions and the World Cup, monitor developments in the game on a European and global basis, while also having the power to implement rule changes in the game.

The brief description of the structure of the industry has identified the four main elements of the industry: the clubs, the league, the players, and the spectators. Football clubs will be addressed in detail in the following section; the other three elements are discussed below, starting with the league, followed by the players and spectators. Finally, important developments in the industry as well as relevant societal developments in the last three decades are reviewed in order to provide a basic understanding of the current state of the industry. Figure 2.1 outlines the elements of the industry environment of clubs.

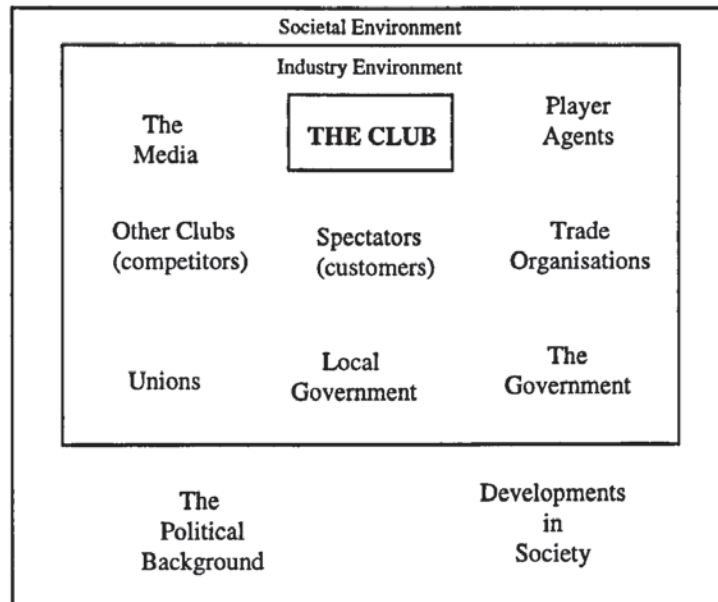


Figure 2.1: Football Club Stakeholders

2.2.1 The Football League as a Cartel

Rottenberg (1956) and Neale (1964) were the first authors to recognise the "peculiar" economics of sporting leagues. They identified the notion of "uncertainty of outcomes" as the key element in the analysis of professional team sports and their work has been the basis for a number of studies on the English and Scottish Football Leagues by Sloane (1980), Bird (1982), Jennet (1984), Cairns et al. (1984), Cairns et al. (1986), and Arnold & Beneviste (1987a, 1987b). In competitive industry, competition drives out the inefficient producer so that only viable firms survive. In professional team sports, individual clubs have an interest not only in the continued existence of other clubs, but also in their economic viability as competitors in order to maximise the interest of spectators and hence revenues from the sale of the product, which is the football match. Therefore, the nature of the product creates the requirement for uncertainty of outcome. Corry et al. (1993) argue that uncontrolled competition leads to a concentration of talent resources and success at the top of the industry. Such a development would be bad for the industry as a whole and therefore the league has an incentive to introduce external constraints on competition. Sloane (1980) supports this view and remarks that it is the need for uncertainty of outcome, or balanced competition, that justifies the introduction of competition controlling measures by sporting leagues. He goes on to identify the major issues of a sporting cartel

as relating to the size of the league, the location of production, the allocation of playing resources, admission prices and revenue sharing arrangements. The last issue of revenue sharing has especially been the source of problems within the industry. Until the 1990's the Football League had revenue sharing policies in place so that the top clubs in the industry provided financial support to the smaller clubs in the lower divisions. Problems did arise because of the different interests of the clubs in the industry. The clubs at the top end who generate the highest revenues preferred a rather less equal division of revenues to enhance their own chances of being successful and to be more profitable. The break-away of the top clubs to form the Premier League in 1992 has been seen by many, notably King (1995) and Conn (1997), as a move to avoid further revenue sharing with lower league clubs.

The issues of uncertainty of outcome and cross-subsidisation have been studied from a series of angles. Earlier studies by Sloane (1971), Jennet (1984), Cairns et al. (1986) and Cairns (1987) compare football match attendances and results in the English and Scottish Football Leagues, introducing the concept of uncertainty of outcome to those industries and providing evidence that uncertainty of outcome does generate increased attendances for matches. Peel & Thomas (1988) have also investigated determinants of attendances at Football League matches, but raised doubts about the importance of uncertainty of outcome as a determinant of attendance. They concluded that football spectators like to watch higher placed teams, particularly when their own team is likely to win. For lower division clubs, they found that the distance between the teams was a more important factor in determining attendance for matches. Sloane (1980), Arnold & Beneviste (1987a), and Fort & Quirk (1995) have all investigated cross-subsidisation measures of sporting leagues. Fort & Quirk (1995) have reviewed cross-subsidisation in the context of American professional sports leagues and found that only a limit on total player wages, the so-called salary cap, contributes to competitive balance and increased profits for the league as a whole. Sloane (1980) and Arnold & Beneviste (1987a) have both investigated football in the UK and found that income redistribution of league cartels has not helped to avoid many clubs getting into severe financial difficulties. It was argued that top clubs in the industry have an interest in reducing cross-subsidies because of their intentions to compete in the European market, which requires higher financial revenues in order to attract top players which would subsequently allow them to further dominate their domestic competitions.

2.2.2 The Labour Market

Sloane (1980) has argued that because in professional sports the number of employees is fairly limited, labour quality becomes of paramount importance. The labour market in professional football has been studied by a number of researchers, namely Sloane (1969), Ruddock (1979), Carmichael & Thomas (1993), and Speight and Thomas (1997). Sloane (1969) states that the labour market in professional team sports is a classic case of monopsony - one buyer for the factors of production - since there is no comparable alternative source of employment for the professional player other than the sports club which employs him.

Carmichael & Thomas (1993), in their study of the bargaining strength of buyers and sellers in the football industry, provide an overview of the regulations which have been imposed on the market for players by the governing bodies: The Football League had operated a "retain and transfer" system since its foundation in 1888. The system effectively tied a player to his club until the latter allowed him to move elsewhere. If the club released the player, it had then the right to claim a transfer fee for the loss of service. In 1960-61, following a dispute involving the players' union, the maximum wage rule, which had also been in operation since the turn of the century, was abolished and in 1963-64 the transfer system itself was modified because it was adjudged to be an "unreasonable restraint of trade".

At the beginning of the 1977-78 season, the regulations were further modified in the players' favour with the establishment of "freedom of contract". The change allowed players to negotiate a move to a new club on the expiry of their contract. The holding club is obliged to offer the player terms which are at least as good as those in the final year of his contract, otherwise the player is entitled to a free transfer. If the holding club offers terms which are rejected, and a move is available to the player, the holding club is entitled to a transfer fee by way of compensation for losing the player's service. If a transfer fee cannot be negotiated between the clubs, the dispute is referred to the Football League Appeals Committee (FLAC), which acts as an independent tribunal. For the transfer of players under contract, the two clubs involved in the trade have to deal directly with each other. No player can communicate with or approach another club with the object of a transfer and vice versa. League regulations require that the potential buyer approaches the player's club to be given permission to speak to the player. If personal terms and a transfer fee are agreed upon, the transfer forms are signed and the deal is completed. The buying club is also required to confirm the fitness of a player, who needs to undergo a full medical

examination. In addition to transfers which involve a fee, there are also end-of-contract players offered re-engagement on terms less favourable than those available in the previous season, senior players may claim a free transfer and temporary transfers, usually between one and three months, are also possible with salary payments being taken over by the borrowing club.

The most recent development on the labour market for football has been the Bosman ruling in 1995. The Belgian footballer Jean-Marc Bosman brought a court case before the European court of justice. He challenged the regulation that football clubs can still decide on the movement of a player even at the end of a contract through setting a very high transfer fee or by not accepting offers from other clubs. The court ruling went in his favour and now the Bosman ruling allows out of contract players to move "free" between clubs in different member countries of the European Community. Deloitte & Touche (1996) remark that it now seems likely that British players will challenge the right of clubs to levy a transfer fee when an out of contract player moves between clubs within the same country. At the time of writing the FA, Premier League, Football League and PFA are trying to agree a structure for the English game which will allow out of contract players over 24 to move "freely". The debate is not about "if" it will happen but "when" it will come into effect - it looks certain to be by 1999. FIFA has decreed that Bosman rules will apply to all cross-border transfers from 1999, not just EC transactions. This will seriously reduce the level of transfer fees paid.

2.2.3 The Demand Function

It has been argued in an earlier section that football club attendances are positively influenced by the uncertainty of match outcome. Attendances at football matches are also influenced by some more fundamental factors, which have been the subject of investigations by Bale (1979), Sloane (1980), Walker (1986), and Dobson & Goddard (1993). Sloane (1980) identifies the number of persons living within travelling distance from the stadium of a club as an important variable alongside playing success.

Walker (1986) has more specifically studied the effects of city size on the success of Football Clubs. He does not only conclude that match attendances are positively influenced by the size of the city a team is located in, but also that teams in larger cities will enjoy greater success because the supply of talent to clubs is greater in larger than smaller settlements. In the same way, financial support from local business sources may

be larger in the bigger cities. Bale (1979) was concerned with the geographical aspects of football as a spectator sport. He widens the group of external club influence factors by adding a town's or region's economic prosperity as a determinant of success.

Dobson & Goddard (1993) have looked at the determinants of attendance in a slightly broader context as well as using a very wide time frame (37 years). They have determined short run influences such as playing success, admission price and goalscoring, and long run influences like playing success and unemployment levels. All the above mentioned studies have also identified a host of other factors influencing football match attendances, such as income levels, style of play, the weather, the playing time, the date of the game, the size and location of the stadium, the quality of sporting substitutes in the area and the effect of television coverage of the team.

2.2.4 Developments in the Industry

Like many other areas of public life, football has undergone a series of significant changes in the last 30 years. Before those changes are discussed, the general political, economical and social background in Britain which has accompanied those developments is presented, based on observations by King (1995) and the FA Blueprint for Football (1991).

Both authors comment on the changes in the nature of employment and the resulting increase in leisure spending. Employment is shifted to the service sector and more and more women have jobs, providing them with the financial background to engage in leisure activities. As the majority of society enjoy improved standards of living, spending activities in the leisure sphere such as eating out, taking holidays or the consumption of entertainment now play a significant role in consumer purchasing behaviour. More and more extra spending will be diverted into leisure because it is not perceived as a luxury in life anymore but has become a necessity for everybody. With consumers being more affluent, expectations about the range of services provided and their quality will increase accordingly. People will increasingly be willing to pay for satisfying leisure experiences. This implies that the standards of the "Football Product" have to match standards set in other areas of life. According to the FA Blueprint (1991), the changes within the society away from being working class dominated mean that football is also moving away from its working class origins. It is moving upmarket to follow the affluent "middle class" consumer and his aspirations.

Other social developments highlighted by the FA Blueprint (1991) include demographic changes, the development of consumer electronics, the rise of car ownership and the fragmentation of the media. Demographic changes in the population will lead to a decline of youth and bring about the rise of young families, the middle-aged and the elderly. Another major development of the last 20-30 years is the emergence of the home itself as a leisure centre. This was influenced by higher levels of home-ownership, the spread of central heating and, most importantly, by the production of consumer durables such as hi-fi Systems, Videos or Computer Games. Many former out-of-home activities can now easily be enjoyed at home. Car ownership and use is so widespread that distance is a much weaker barrier to patterns of socialising and activity. The gradual erosion of the physical and psychological sense of the community is expected to continue as more and more people migrate towards new towns and city suburbs. The fragmentation of the media provides consumers with a constantly rising choice of programmes to watch and listen to and it can be expected that the time spent on these activities will increase in the following years.

King (1995), while mainly documenting the foundation process of the Premier League, outlines how economic developments during the Thatcher government have influenced developments in football. He argues that the notion of Free Market was a dominant principle used by politicians and business to get Britain out of the recession in the 1980's and it is still one of the major features of the British economy in the 90's. Football Clubs had no other choice than to apply market principles to their businesses in order to survive. First, it was understood that clubs should be subject to the forces of the market like any other business, second that they should adopt management practices found in other successful contemporary businesses with a special emphasis on the management of club finances and finally that football clubs should establish a relationship with their fans accorded with that found between other businesses and their customers. It's under these circumstances that the football industry has changed its vocabulary with clubs having become "leisure providers" and fans "consumers".

As the most vividly followed sport in the country, the developments within the football industry are well covered by a multitude of sources. Press and other media coverage monitors developments almost on a daily basis. The Football League itself has commissioned several reports on the state of the industry, most notably the Chester Reports of 1968 and 1983. The FA outlined their view on the industry in the FA Blueprint (1991). The Taylor Report (1990) was the result of an inquiry into the Hillsborough Disaster in 1989, where 96 Liverpool supporters were squashed to death during an FA

cup semi-final. The Sir Norman Chester Football Research Centre conducts a yearly survey with spectators of the Premier League clubs (1995) and since the foundation of the Premier League in 1992, the accountancy firm Deloitte & Touche publishes an annual report of football club finances. Additionally, a considerable number of books and research reports on the state of the industry are available, most of which are referred to in Szymanski & Kuypers (1999). The following presentation of the most significant developments in the industry has been amalgamated from the industry reports by Pitt (1992), Corry et al. (1993), Taylor (1995) and from books published by Conn (1997), Hamil et al. (1999) and Szymanski & Kuypers (1999).

The most notable developments in recent times have been the rise of player power, the introduction of live television, the Taylor Report, the formation of the Premier League and the Bosman ruling. In the 1980's, more and more capital came into football with the growth and development of sponsorship opportunities. This increased revenue was invested in the transfer market with the intention to buy quality players so that the objective of achieving sporting success could be pursued. The good footballers realised that they were a much sought after commodity and therefore demanded better and better contracts in order to benefit from the capital influx into the game. Nowadays the majority of professional footballers employ an agent to conduct their contractual negotiations. The agent is a professional negotiator who will on most occasions be able to negotiate a more favourable contract than the player himself because he has general and intimate knowledge about club finances, wage levels and contractual conditions throughout the industry. It is in the agent's interest to negotiate the best possible contract for a player because his fee usually consists of a percentage of the contract value.

With the introduction of Sky Television, the price of broadcasting rights for football has risen dramatically, about tenfold in as many years. Football is a very popular television sport in Britain. Sky TV broadcasts at least two live matches on weekends and match scheduling is now influenced to a great extent by the demands of television broadcasters. This development has again brought considerable amounts of capital into the game although the bulk of the revenue is going to the top clubs who are also the ones receiving the majority of live coverage. The central recommendation of the Taylor Report was a conversion of grounds into all-seater stadia for First Division (now Premier League) and Second Division (now First Division) grounds by the beginning of 1994, and for the whole of the Football League by 1998. Subsequently, more money than ever before was invested in improving facilities at football grounds.

The Premier League was created at the start of the 1992-93 season. Compared with the previous season, there was no visible change, the number of clubs in the top flight was unchanged, the number of games was the same and the fixture list had a very similar appearance. The establishment of the Premier League nevertheless constituted a significant event for English Football because it changed the power structure within the industry as well as redefining football in the top flight as a commercial product. The Premier League is effectively owned by the chairmen of the Premier League clubs themselves. The revenue generated from sponsorship and television broadcast is not shared with the clubs in the lower leagues anymore but only divided up amongst the Premier League clubs. The main effect of the Bosman ruling has been an increased transfer activity between clubs at national and international level, as more players become free agents and as clubs are offering better contractual conditions as a result of saved transfer fees.

2.3 Football Clubs

The internal organisation of clubs has extensively been covered by Douglas (1973) and Pitt (1992). Thompson (1986) conducted a case study on one particular club in the top flight, based on data available from public sources. This discussion on football club related issues will broadly follow the categorisations of these authors, starting with club objectives before moving on the board of directors, club administration, the football department, finance, marketing and community policies. On the basis of the literature on club activities, an organisational chart has been drawn up for football clubs, which will serve as a guiding framework both for the discussion of club issues and for analytic purposes. The organisational chart is presented in Figure 2.2 on the next page. Finally, a separate section will review those studies particularly concerned with strategy-making in clubs, as this topic is the focal point of this investigation.

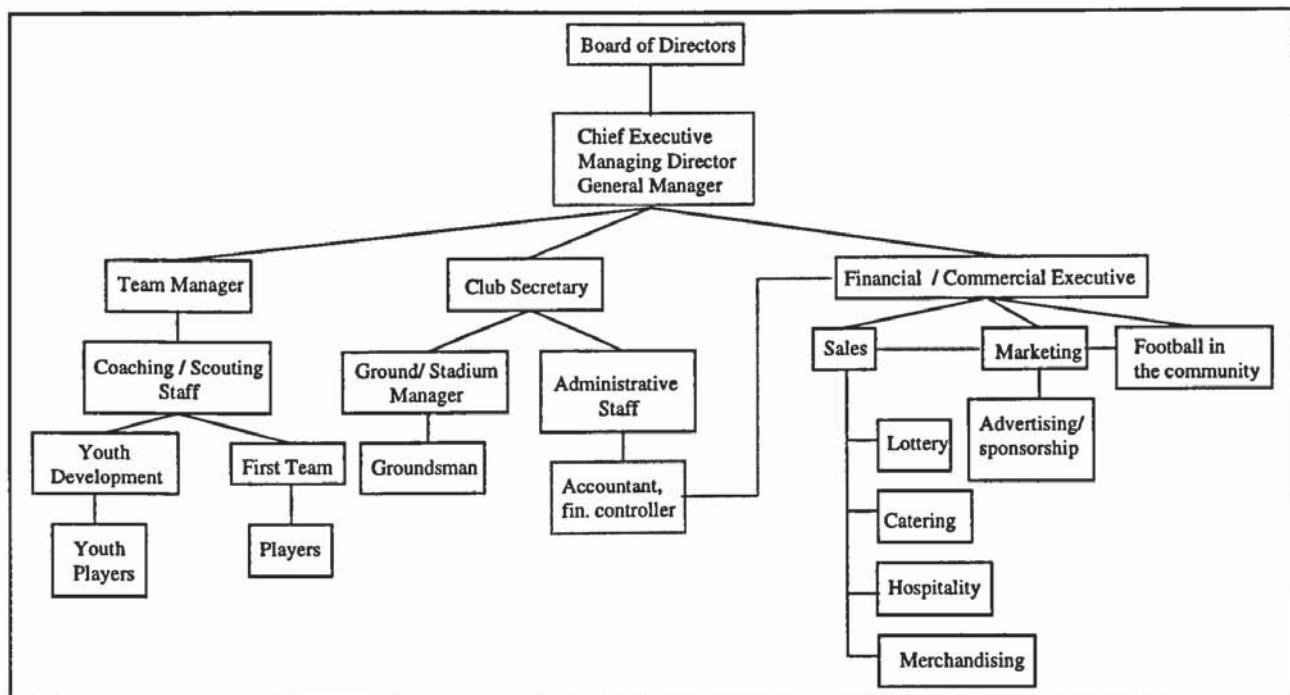


Figure 2.2: Organisational Chart of a Football Club

2.3.1 Club Objectives

Club objectives have been considered by Sloane (1980), Arnold & Beneviste (1987b), Pitt (1992). All three authors agree that football clubs have particular objectives, related to the fact that they are businesses competing within a sports league. From the business perspective, clubs need at least to cover their costs over a sustained period to survive. The main objective of a sporting organisation is to be successful in their sport. Both Arnold & Beneviste (1987b) and Pitt (1992) found in their studies that playing success is the principal aim of clubs, with financial stability following second. Sloane (1980) remarks that most clubs are content to only earn minimum profits and invest additional funds in strengthening the playing side.

2.3.2 The Board of Directors

Football Clubs are run by a chairman and a board of directors. Pitt's (1992) study found that in most clubs, one board member was the predominant shareholder of the club. The role of the chairman was perceived as being the figurehead of the club who represents the

club at official bodies, as being the club's policy-maker as well as the provider of finance for the club. The study also found that most directors are successful middle-aged male businessmen who often combine club directorships with those of other companies. The vast majority of directors were unpaid, part-time, with no direct executive functions or responsibilities.

2.3.3 Club Administration

Some clubs operate with a chief executive, a managing director or a general manager but the football secretary is the key administrative figure in the club. The secretary deals with all the regulations pertaining to the Football League and the FA. This involves the correct registration of players, ground regulations, safety, and the conduct of matches. In some clubs the duties of the secretary and the chief executive / managing director are carried out by one person. Another administration related issue is the football ground. The playing surface and spectator facilities have to be maintained for matches and most clubs do have a ground or stadium manager who works with a team of groundsmen to ensure ground maintenance.

2.3.4 The Football Department

Staff on the playing side of a football club include the players, the team manager and his assistants, coaches, physios and scouts. The team manager usually has overall responsibility for the playing success of the team. His main duties involve selecting players for the team, supervising training and devising tactics on how the team should play against particular opponents. Players are the main asset of any football club and they have a certain market value and on the condition there is a buyer, clubs have the opportunity to sell players should they be in the need to generate revenue quickly. Players can either join a football club from another club or move into the first team through a youth development program. Player transfers are the most common way of strengthening a team. Football team managers spend a lot of their time studying opponents and players which might be potential transfer targets for the club. Many clubs also operate networks of talent scouts, sometimes nation-wide, which supply information about promising players to team managers. Alternatively, football clubs can operate their own youth

development schemes. In this activity, football clubs take on players from the age of 10 or 11 onwards, let them play in their youth teams and assess their progress over time. Talented young players can then be used in the professional team at the manager's request. The tactics for team play are developed during training sessions by the manager and his assistants. The coaches do carry out the training plans which have been developed by the management team. Physios are concerned with the physical fitness of players. They help players improve their fitness and they help them recover from injuries.

The professional team of a club takes part in the league and cup competitions which the club is allowed to enter. The league competition starts in August and usually finishes in May. Clubs from the same league play each other twice during the course of a season, with each club having the right to play at their home ground once. If a club is very successful in its league, it can get promoted to the next higher division. Usually the top three teams of a particular league gain promotion. If clubs have an unsuccessful season, they can get relegated to a lower division. Usually the last 3 or 4 teams of a division get relegated. Clubs can take part in two major cup competitions, the League cup and the FA cup. Cup matches are played during the league season. Cup ties are played in one leg (FA cup) or two legs (League cup) with the winner of a tie progressing to the next round.

2.3.5 Finance

Pitt (1992) points out that finance is one of the key departments within any club. Clubs usually produce management accounts, the overwhelming majority of which are monthly. From the published financial data on the industry (see Deloitte & Touche 1992-1998) it can be seen that a great number of clubs in the industry are struggling with financial difficulties, thus raising an interest of a closer inspection of financial policies. Arnold & Webb (1986) have specifically studied the finance policies of two distinct clubs over a period of ten years. They have concluded that even though football clubs are operating in an environment with a high level of trading risk, their financial decisions have been equally risky with clubs being so committed to buying success on the field to go as far as risking their existence.

2.3.6 Marketing

Pitt's (1992) study found that marketing was seen by all clubs as a key activity. For most, marketing encompasses all commercial activities which take place within a club. The nature of those activities becomes clear when the revenue sources of clubs are considered: Revenues earned at the national level come from two areas, sponsorship of the league and cup competitions and the sale of television broadcast rights. The contracts for those revenues are negotiated by the Football League and the money is then distributed to the clubs on a monthly basis. The amount each club receives is determined by its divisional status and its league position, with the most money going to the most successful clubs.

Season Tickets cover all home games of a club. The majority of season tickets are sold in advance of a season although sales continue once the season is underway with clubs providing a variety of ticket schemes at different stages of the season. Gate receipts are those revenues generated by the sale of tickets to spectators on match days. Each club is entitled to all the revenue collected on match days, even from the visiting supporters. The only deduction is a 3% levy, which was introduced in 1989-90 by the Football League. A 3% share of net receipts from season ticket sales, net gate receipts from League and play-off matches is collected from all 92 professional clubs and the total sum is divided equally amongst the clubs. For matches in the cup competitions, the revenue is split equally between the two clubs involved in the tie.

Clubs offer sponsorship opportunities for many different levels of financial involvement and match ball sponsorship for example is available for a few hundred pounds. The main sponsorship items are kit sponsorship, where a sports manufacturer provides all the required sporting kit for the club and sometimes makes also a financial contribution, and shirt sponsorship, where a sponsor pays the club for having the company name printed on the front of the shirt. Sponsorship deals can also be made for football boots or individual players. Advertising usually consists of perimeter boards, programme and scoreboard advertising. Club merchandise is sold through the club shop, which is usually located at the ground. Clubs also offer catering for spectators on match days and some are selling Executive boxes to outside businesses. The revenue from this area can be considerable but not all the clubs have these facilities. Executive boxes will generally be sold for a whole season, although some deals might run over two or three years.

Studies on marketing activities of clubs have tended to focus on the marketing of the club to its spectators. Nelson (1994), Darby (1990), Williams and Dunning (1987), Canter et

al. (1989) and Hollam (1992) have conducted studies of fans at various Football Clubs in Britain all aimed at gathering opinions in order to make the "experience" of watching a live match more pleasurable. All the studies identify the importance of the fans for the clubs and suggest more consideration of spectators' opinions. Nelson (1994) deduces in his work that future marketing strategies should be more consumer orientated and especially consider the groups of the population, namely women, the elderly, and ethnic minorities, which have been notoriously underrepresented in Football crowds. Woodford et al. (1998) have investigated the use of relationship marketing for football clubs in order to identify strategies geared towards retaining and strengthening a club's fan base. They suggest that clubs should concentrate on areas surrounding the core product of football, because sport itself is intangible, subjective, inconsistent and unpredictable. Clubs should segment supporters and non-supporters according to their level of commitment to the club and devise different marketing strategies to target the respective groups and build up a sort of "committed partnership" with those groups.

2.3.7 Community Policies

Community policies are a more direct approach to marketing the club and the facilities it offers to the local community. All clubs operate community programmes, which are run in conjunction with the Professional Footballers Association (PFA). The operations aim to promote the football club in the local area, either through coaching, events in schools or other forms of activity. Community schemes of clubs have been studied by Dunning et al. (1988) and Reilly et al. (1991). Both studies stated the importance of community schemes for clubs as a way of integrating the club into the community.

2.3.8 Football Clubs and Strategy

The issue of strategy within the football industry is a topic which has only in recent years received attention from researchers and football writers. A historical study by D'ell Osso & Szymanski (1991) aimed to explore how certain successful clubs have gained a competitive advantage. For three different clubs, three different types of competitive advantage were identified. They argue that one club survived on the basis of its reputation, another one had a uniquely successful manager and a third one possessed an internal

structure which created exceptional outputs. The theoretical background to this study was also the basis for a more comprehensive study on the business strategy of football by Szymanski & Kuypers (1999). Conn (1997) and Hamil et al. (1999) also address a number of issues of strategic significance in their studies of the business side of football. At this point, the most interesting propositions from the above mentioned studies will be presented.

Szymanski & Kuypers (1999) note that the most important issue a football club has to resolve is the appropriate balance and consistency between the pursuit of profit and the pursuit of playing success. They go on to explore the relationships between playing and financial success as well as player wages and transfers using available accounting data on clubs. Using regression analysis, they further examine the relationship between wage expenditure and performance and the relationship between league position and club revenues. They conclude that the football industry can be considered approximately as an efficient market, where the clubs with the highest revenues and the highest expenditures are able to attract the best players and enjoy long-term success. The main findings of the study are different types of competitive advantage which can be found in successful clubs. In addition to the types of competitive advantage already identified by D'ell Osso & Szymanski (1991), "natural" advantages such as location in a particular catchment area and having a financially potent benefactor are presented. Even though they claim their sample is representative of the entire industry, they admit that their study is slightly biased towards the higher ranked clubs. Nevertheless, they provide a number of frameworks for analysing the industry.

Hamil et al. (1999) reflect on alternative types of ownership structures, aimed at supporter ownership of the club as well as advocating the need for a football industry regulator to ensure the well-being of the industry as whole. Conn (1997) provides an in depth-analysis of the competitive environment of football clubs. He also presents interesting evidence from activities at individual clubs, the nature of which will be explored in detail in the data chapters.

2.4 Conclusion

The football industry represents an interesting environment for strategy research because it combines a number of specific characteristics which seemingly make strategy-making extremely difficult: Developments within the industry receive constant media attention, competition between clubs is fierce, the nature of the sport is based on a certain level of unpredictability, the industry is strongly regulated by governing bodies and football clubs have to balance the need to be viable businesses with the objective of sporting success.

The bulk of the football related literature is either concerned with assessing developments in the industry as a whole or with certain specific elements of the club environment. Those projects which have addressed the issue of strategy in football have only been concerned with identifying types of competitive advantages which clubs can possess. It is striking that the findings of these studies seem only to be relevant for the big clubs in the industry. Smaller clubs in the industry face a different set of environmental conditions and supposedly need a different strategic mindset. Furthermore, these studies only identify competitive advantages clubs have had in the past and no attempt is made at exploring if and how competitive advantages can be consciously created by clubs. It can also be remarked that the majority of studies in the field have been of a quantitative nature, using published football club accounts. There is a distinct lack of research which addresses the nature of strategic decision-making processes of football club decision-makers.

Finally, in current research, competition is only considered between clubs as members of a league, without giving consideration to the competition clubs are facing locally in their communities or the competition the league as a whole is facing from other sports and leisure activities. The aim of this investigation is thus to study the strategy-making processes in small clubs and to assess the impact of the environmental conditions on the nature of strategy-making and the nature of strategies. The next chapter will therefore explore the concept of strategy in more detail to provide a thorough understanding of the phenomenon which is to be studied.

Chapter 3

The Concept of Strategy

3.1 Introduction

The aim of this research project is to provide a strategic analysis of the football industry with a particular focus on smaller clubs. The first step of the research process is to outline the theoretical background to the study. This will involve a discussion of the origins and definitions of the strategy concept and a more detailed review of the main dimensions of strategy and the different theoretical positions in each of the individual areas. The chapter will start with a definition of strategy, then focus on the issue of vision, values and objectives, followed by an analysis of the strategic environment, the process perspectives of strategy and issues related to the outcome of the strategy process. Finally, two specific environmental conditions will be examined more closely for their relevance to strategy-making, the small business and the not-for-profit aspects. The following table 3.1 provides an overview of the sources of literature for the discussed subject areas.

Strategy Textbooks: David (1995) Ansoff (1991) Ansoff & McDonnell (1990)	De Wit & Meyer (1994) Grant (1995) Johnson & Scholes (1999) Mintzberg (1990) Thompson & Strickland (1998)	The Design School: Andrews (1971,1980) Christensen et al. (1987)
		Logical Incrementalism: Quinn (1980) Wrapp (1984)
Definition of Strategy: Chaffee (1985) Pettigrew (1988)	Cummings (1993) Hinterhuber & Popp (1992)	Disjointed Incrementalism: Chaffee (1985) Johnson (1988) Granovetter (1973) Lindblom (1959) Baybrooke & Lindblom (1963)
Mission & Objectives:	Campbell & Yeung (1991)	
The Strategic Environment: Hannan & Freeman (1977) Porter (1980) Lele (1992) Strebel (1992) Baden-Fuller & Stopford (1992) Chandler (1962) Christensen et al. (1987) Greiner (1972) Mintzberg (1993) Stacey (1993) Schmalensee (1988)	Jacobsen (1992) Geroski & Mason (1987) Mueller (1986) D'Aveni (1994) Hofer & Schendel (1978) Barney (1991) Mahoney & Pandian (1992) Peterlaf (1993) Collis & Montgomery (1995) Ambrosini et al. (1998) Stalk et al. (1992) Kay (1993)	Interpretive Approach: Johnson (1987,1988) Schein (1985) Starbuck et al. (1978) Johnson & Scholes (1993) Noorderhaven (1994)
Process Perspectives:	Mintzberg & Waters (1985) Chandler (1962) Mintzberg (1991)	Enforced Strategy: Aldrich (1979)
Strategic Planning: Ansoff (1965) Hofer & Schendel (1978) Lorange (1980) Steiner (1969) Hamel & Prahalad (1989) Yip (1995) Price (1998) Porter (1980) Lewes & Thomas (1990) Reger & Huff (1993) Hax & Majluf (1990) Porter (1985) Hamel & Prahalad (1990)	Hardacker & Ward (1987) Ellis & Williams (1993) Watson (1993) Codling (1998) Grundy et al. (1998) Tilles (1968) Ambrosini et al. (1998) Hax & Majluf (1984) Bowman & Ash (1996) Ellis & Williams (1993) Rappaport (1986) Williams & Giardina (1993) Taylor & Sparkes (1977)	The Strategy Content: Kay (1993) Gilbert & Strebel (1989)
		Business Level Strategies: Grant (1995) Porter (1987) Kay (1993) Porter (1996)
		Porter (1985) Grant (1991)
		Corporate Level Strategies: Hofer & Schendel (1978) Porter (1987) Prahalad & Hamel (1990)
		Multicompany Strategy: Williamson (1975) Hamel et al. (1989) Reve (1990)
		Strategy-making in Small Businesses: Rice & Hamilton (1979) Rice (1983) Kokkinis (1995) Mintzberg (1994) Thomas (1988)
		Gilmore (1971) Birley (1988) Unni (1981) Robinson (1979) Welsh & White (1981) Lee (1994)
		Strategy-making in Not-for-Profit Organisations: Newman & Wallender (1978) Nielsen (1986) Provan (1984)

Table 3.1 Summary of Strategy Literature

3.2 Defining Strategy

Before the modern definitions of the strategy concept are presented, it seems appropriate to briefly review the roots of strategy. Cummings (1993) traces the origin of the word strategy back to the ancient Athenian position of strategos. Around 500 B.C., a Strategos was the elected head of tribal divisions acting as military and political subunits of the district of Athens. Ten strategoi formed the Athenian war council, which controlled the military and politics. Strategos was a compound of *stratos*, which meant "army", and *agein*, which meant "to lead". For the more recent origins of the concept, Hinterhuber & Popp (1992) refer to Helmuth von Moltke, chief of the Prussian and German general staffs from 1858 to 1888, as the strategy maker behind Otto von Bismarck's war victories in the Austrian-Prussian war of 1866 and Franco-Prussian war of 1871. Instead of giving specific orders, Moltke issued "directives", guidelines for autonomous decision making.

Contemporary definitions of strategy expand on this background. Grant (1995) defines strategy as a unifying theme that gives coherence and direction to the actions and decisions of an individual or organisation. In that sense, strategy serves as a vehicle for communication and co-ordination within an organisation, as well as being a link between the organisation and its environment. Hinterhuber & Popp (1992) identify the entrepreneurial vision as the nucleus of any entrepreneurial activity. They argue that visions are guides comparable to the North Star. The patterns of the stars in the sky can be read and used as a map to go in the right direction. But they also remark that although stars can provide dependable guides for a journey, they themselves are not the destination. Stars may point the way, but they will provide no help in coping with conditions on the ground which can be encountered.

A clearer view of the strategy concept is provided by the distinction of strategy dimensions and strategy levels. A number of authors, namely Chaffee (1985), Pettigrew (1988) and Mintzberg (1990b) have identified strategy process, content and context as the dimensions of strategy. Process, content and context are not the "elements" of strategic management, but its "dimensions". Elements can be examined in isolation, but the categorisation of process, content and context is made purely on a conceptual basis for purposes of discussion and analysis. The three dimensions of strategic management are strongly interrelated in practice. Every strategy question is by its nature three-

dimensional, possessing process, content, and context characteristics. Strategy has thus to be studied from each of these perspectives in order to be understood in depth.

The strategy process can be defined as the way strategies come about ("how"). The strategy process focuses on the dynamics of strategy formation, how organisations develop, implement, evaluate, and adapt their strategies over time. The strategy content can be defined as the output of the strategy process ("what"). The output of the process is the intended or realised course of action selected to achieve a firm's long-term objectives. The focus of this dimension is on the "patterns in the stream of decisions or actions". The strategy context can be defined as the set of circumstances under which both the process and content were determined ("where, when, who, why"). Every company's circumstances, every industry structure, and every competitive rivalry has unique characteristics distinguishing it from other business settings. This means that the context is different in each case.

Thompson & Strickland (1998) identify four different organisational levels that can be distinguished for strategy making purposes: There is a strategy for a company as a whole, the corporate strategy. There is a strategy for each separate business the company has diversified into, the business strategy. Then there is a strategy for each specific functional unit within a business, called functional strategy. Finally, there are strategies for basic operating units within a business, operating strategy. De Wit & Meyer (1994) propose another higher level of aggregation that goes beyond the company itself, multicompany strategies. When strategies are made for groups of two or more companies they talk of the multicompany level of strategy. Those kinds of strategies are needed to give direction to joint ventures or strategic alliances. In single-business companies there are only three levels of strategy unless diversification into other businesses is being considered. The distinction between strategy levels is mainly analytical and is difficult to isolate in reality. In practice, the levels are so strongly interdependent that the boundaries between them are fuzzy.

The above-presented definitions have provided the basis for the discussion of individual topics related to the strategy concept. The discussion will begin with a focus on organisational values, mission and objectives, then proceed to the strategic environment of organisations before considering the different types of process perspectives and strategy contents, which can be identified. Finally, two specific environmental conditions relevant to this study, the small business and not-for-profit aspects will be assessed in turn.

3.3 Values, Mission, Objectives

According to Grant (1995), organisations have multiple objectives. Most organisations have the objective to generate profits, but there is often more to business than making money. The choices of objectives and ways in which they are pursued are influenced and constrained by the values an organisation adheres to. All companies possess broader organisational values that are integral to their sense of identity and purpose. These values go beyond the basic performance variables that the firm is pursuing, such as profit or growth. This sense of purpose provides a foundation for a company's strategy. Johnson & Scholes (1999) remark that the strategic vision can manifest itself in a variety of ways. It can be deliberately formulated as part of the planning process of an organisation or be associated more personally with the owner-founder of an organisation. Vision can also be embedded in the history and culture of an organisation. Lastly, it can be related to entrepreneurial intuition and be viewed as the product of creative and innovative management.

Johnson & Scholes (1999) provide a series of definitions for terms which are commonly used to describe the strategic vision. They distinguish, mission, vision, goals and objectives. Mission is a general expression of the overall purpose of an organisation and addresses the question: What business are we in ? – Vision is the desired future state of the organisation. The word goal usually means a general aim in line with the mission. A goal can be quantified or be qualitative in nature. An objective however, as a more precise aim in line with a goal, is more likely to be quantified.

Campbell & Yeung (1991) refer to the Ashridge Mission Model as a tool to provide a clear definition of mission as well as a tool for analysing the concept of mission. The model is represented in figure 3.1 below. Campbell & Yeung believe that four tightly linked elements are the basis for a strong mission: purpose, strategy, behaviour standards and values. The purpose of companies can fall into three categories. First there is the company that claims to exist for the benefit of the shareholders and its purpose is to maximise wealth for the shareholders. Second there is the company that claims to satisfy all its stakeholders. This broader idea of purpose involves clear responsibilities to individual stakeholder groups. The third type of company aims toward a higher ideal. Its purpose is greater than the combined needs of the stakeholders, something to which all the stakeholders can feel proud of contributing. Strategy will define the business in which the company is going to compete, the position the company plans to hold in that business and

the distinctive competence or competitive advantage that the company has or plans to create. Behaviour standards are needed to convert purpose and strategy into action, into policy and behaviour guidelines that help people decide what to do on a day-to-day basis. Values are the beliefs and moral principles that underlie a company's culture. Values give meaning to norms and behaviour standards. Values are expressed in the behaviour, which a firm feels is "right".



Source: DeWit & Meyer (1994) : Strategy, process, content, context - an international perspective

Figure 3.1: The Ashridge Mission Model

Campbell & Yeung (1991) also make a useful distinction between mission and vision. They argue that vision refers to a future state, a condition which is better than the present one. Mission is more a timeless explanation of an organisation's identity and ambition. A vision is therefore more associated with a goal, whereas a mission is more associated with a way of behaving. The authors admit however that in practice those two concepts can be hard to distinguish because especially in times of change, a new mission will be a mental image of a desirable future state and thus be similar to a vision.

Strategy is linked to organisational performance through setting performance targets for individual businesses and departments and appraising performance against these targets. Over the longer term, identifying the determinants of superior performance requires a careful analysis and deep insight into the economics of the industry and characteristics of

a firm. The following section will provide an insight into issues related to a firm's strategic environment.

3.4 The Strategic Environment

The strategic environment, or strategy context, can be broadly divided into the external and internal environments of the firm. The external environment is made up primarily by the members of a firm's industry, but also by the wider social and political environment. The internal environment of a firm is made up of its resources, capabilities. Before the elements of the strategic environment will be discussed in more detail, the theoretical positions relating to environmental influences on strategy-making will be presented.

The importance of the industry context for strategy process and content can be viewed from two extreme positions. At the one extreme, it could be argued that the industry context fully determines the future of the company. In this view, making strategy means taking actions which are consistent with the "rules" of the outside world. The firm has no influence on the industry rules and has little room to manoeuvre. De Wit & Meyer (1994) have dubbed this deterministic view the compliance perspective.

At the other extreme, it could be argued that a company has a multitude of ways to influence the industry structure, to change the rules of the game, as well as possibly switching to other industries. In this view, the firm has a broad range of strategic choices, with the strategic mindset of the strategist being the most important limit. De Wit & Meyer (1994) have called this view the choice perspective. When the different perspectives are presented, the starting point will be the compliance perspective, moving along the continuum and concluding with the choice perspective.

Hannan & Freeman (1977) have borrowed concepts developed to understand the survival and demise of organisms and transferred these ideas to organisational studies. They found that adaptation and selection play a vital role in the survival of organisations. Some organisms are flexible enough to adapt to new environmental circumstances while others cannot. Some organisms will fit to new environmental circumstances by chance while others will never be suited. This means that survivors are selected by environmental influences. Hannan & Freeman doubt organisations' ability to learn and adapt and instead they believe that the environment's power to select is very strong.

Porter (1980) puts forward the argument that evolutionary processes within the industry context have a very strong impact on the survival of a firm. He argues that the selection of fit companies takes place, especially when competition in a certain industry sector intensifies. Porter also believes that firms do have the power to influence the evolution of

the industry structure. Firms have a certain degree of strategic freedom, but ultimately the development of the industry structure is pivotal in determining their survival and profitability. Lele (1992) joins Porter in the belief the firms have a certain degree of strategic freedom and that the industry context is determining a firm's fate to a great extent. But for Lele, the competitive position of a firm within its industry is an important determinant of a firm's freedom to make strategies. Whether the company is the industry leader, second, or third player, follower or new entrant will have significant impact on the strategic options it can access. Strebel (1992) also adds an extra dimension to Porter's argument. He differentiates between gradual changes and radical changes. Companies must understand the different types, and different drivers of environmental change to be able to develop viable strategies. The industrial context can therefore have a serious impact on the organisation's ability to survive, but firms also have the opportunity to create strategies to cope with changes if they are able to understand their nature.

Baden-Fuller & Stopford (1992) radically disagree with the compliance perspective. They argue that only a fraction of the differences in profitability between businesses can be attributed to industry factors. In their opinion, profitability is largely created by a firm's creativity and imagination. Successful firms change the rules of the competitive game. Companies must remain imaginative and constantly rejuvenate themselves.

According to De Wit & Meyer (1994) , the two main themes in the theoretical discussion of the relevance of the organisational environment are universality versus specificity and free choice versus determinism. For the first theme, authors leaning more towards universality implicitly assume, or explicitly argue, that the strategy process and/or strategy content can be determined without giving consideration to specific environmental circumstances. From this point of view strategy context is either irrelevant or of minor importance. Authors leaning towards the specificity perspective argue that strategy process and strategy content depend on specific environmental circumstances and that no general principles exist at all. The discussion will aim to bring light to the fundamental question of which aspects of the strategy context have, or should have an impact on the strategy process and strategy content and how these influences should be dealt with.

The second theme, free choice versus determinism, is closely related to the first theme, but it is more concerned with determining how strong the impact of the strategy context is. A variety of opinions exist with regard to the extent to which the strategy context constrains strategy process and content. One group of authors argues that organisations have a high degree of liberty in choosing strategy processes and contents, and another

group pleading that environmental factors have such a great impact that firms have at best the illusion of free choice. There are two extreme perspectives from which the organisational context issue can be discussed. One side takes a mechanistic view of the organisation where a leader can design a strategy and the organisation adapts its structure to fit the proposed strategy. This view follows Chandler's (1962) "structure follows strategy" argument. When a strategy is developed, the leader matters, not the organisation. The internal environment is adapted to the strategy so that difficulties can only be expected from the external environment. De Wit and Meyer (1994) have labelled this perspective the control perspective.

The opposing position assumes that the organisation is a complex uncontrollable system and strategy cannot be rationally designed but emerges from political, social, cultural, and cognitive processes instead. In this perspective, strategy is determined by a variety of interlinked organisational factors, as described by the organisational paradigm in the strategy process section. This view where the organisation matters and not the leader, is labelled the chaos perspective, with chaos referring to the non-linear behaviour of a complex system. First, the "control" end of the spectrum is reviewed, followed by proponents of the "chaos" perspective. Christensen et al. (1987) focus their attention on the CEO. Their identification of the roles of the CEO as the "architect of the organisation purpose", the organisation leader and personal leader, reflects that they have adopted the control perspective. The "architect of organisation purpose role" involves processes of goal-setting, resource-allocation, and making strategic choices, whereby the creative generation of strategic alternatives is seen as crucial. The organisation leader role requires general managers to monitor organisational performance against expected outcomes and intervene if changed circumstances negatively affect that performance.

Greiner (1972) argues that organisations are not stable entities, but dynamic systems. In his opinion, the future of an organisation may be less determined by outside forces than it is by the organisation's history. Greiner identifies five key dimensions which influence organisational development:

1. Age of the organisation
2. Size of the organisation
3. Stages of evolution (growth periods without major upheaval)
4. Stages of revolution (periods of turbulence)
5. Growth rate of the industry

It can be deduced from Greiner's research that the organisation's approach to the strategy process and content might need to be adapted to fit the phase of development. Making strategy can be influenced by any of the five forces outlined above, which leads to the conclusion that the organisational context matters, because development might follow strategy, but the reverse can also be the case.

For Mintzberg (1991), the organisational context also matters. He argues that "structure follows strategy like the left foot follows the right" because organisations are in practice a configuration of a variety of forces with each organisation having adopted its own unique set-up serving their requirements. The strategy process and content then have to be adapted to the organisational context, hence the organisation matters. Stacey (1993) takes the argument of uncontrollable organisational dynamics yet a step further. In his perspective leaders shouldn't even try to control the organisation and its strategy. His reasoning is that chaotic systems have a self-organising ability, which "can produce controlled behaviour, even though no one is in control." Stacey's view is that it is management's task to help create an atmosphere of bounded instability in which strategy can emerge. Leaders should manage the organisational context and let strategy develop spontaneously.

3.4.1 The External Environment

Earlier in this chapter it has been observed that a profound understanding of the competitive environment is a critical ingredient of a successful strategy. The distinction corporate- and business-level strategy is of relevance here. To recap, corporate strategy is about evaluating the attractiveness of different industries in terms of their potential to yield profit in the future. According to Grant (1995), in order to make this kind of evaluation, the analytic objective is the assessment of how competition determines industry profitability.

Business strategy is concerned with establishing competitive advantage. Identifying the basis of and opportunities for competitive advantage requires an understanding of competition within an industry and an understanding of customers, their needs and motivations, and the means by which these needs are satisfied. Organisations also acquire goods and services from suppliers. Hence, a firm must also understand its suppliers and how to form business relationships with them. Suppliers, competitors and customers constitute industry environment of an organisation. These elements will tend to have the

biggest influence on organisational activities, but elements from the macro-environment of a firm such as general economic, social or political trends can also be critical determinants of the future direction of a company. According to Grant (1995), the key issue is how the more general environmental factors impact on an organisation's industry environment. Figure 3.2 illustrates the business environment of a firm.



Source: Grant (1995): Contemporary Strategy Analysis

Figure 3.2: The Business Environment

For Grant (1995), the starting point of industry analysis is to determine the level of profit in an industry. The profits earned in an industry are determined by the value of a product or service to customers, the intensity of competition and the relative bargaining power of a firm at different levels in the production chain. A widely used framework for industry analysis is Porter's (1980) five forces model. The model identifies five sources of competitive pressure. They are competition from substitutes, competition from entrants, competition from established rivals, the bargaining power of suppliers and the bargaining power of buyers (see figure 3.3).



Source: Grant (1995): Contemporary Strategy Analysis

Figure 3.3: Porter's Five Forces of Competition Model

Competition from substitutes is determined by the availability of substitute products. If there are no substitute products, demand will be inelastic with respect to price. The existence of many close substitute products will make customers more aware of price differences between products, thus making demand elastic with respect to price. The threat of entry is dependant on the height of barriers of entry to an industry. The principal sources of barriers of entry are either cost related, legal or competitive. Cost related barriers of entry can be large capital requirements, the requirement of economies of scale or other types of cost advantage. Legal barriers to entry can be created by governments or by patents and copyrights. Competitive barriers of entry can be strong brands and strong customer loyalty or potential retaliation by established firms. Rivalry between established competitors is for most industries the major determinant of the overall state of competition and the general level of profitability.

Grant (1995) remarks that in some industries firms compete to the extent that prices are pushed below the level of costs and industry-wide losses are incurred. Six factors play an important role in determining the nature and intensity of competition between established firms: concentration, the diversity of competitors, product differentiation, excess capacity,

exit barriers, and cost conditions. Concentration refers to the number and size distribution of firms competing within a market. The higher the number of firms in a market, the likelier the competition on price. According to Schmalensee (1988), this factor is a weak indicator of industry profitability. The diversity of competitors argument states that the more similar competitors are in terms of origins, objectives, and costs, the less likely they are to compete on price. The product differentiation argument states that the more similar rival products are, the more willing customers are to switch products and the greater the incentive to start competing on price to increase sales. Excess capacity might encourage firms to offer price cuts to attract new business in order to spread fixed costs over a greater sales volume. Barriers to exit are costs associated with capacity leaving an industry. Cost conditions involve either scale economies or the ratio of fixed to variable costs. Where fixed costs are high to variable costs, firms will take on marginal business at any price that covers variable cost.

The bargaining power of suppliers and buyers depends on two sets of factors, buyer's/supplier's price sensitivity and relative bargaining power. Price sensitivity depends on the importance of the item for each party, the potential of switching suppliers/finding new buyers, and on the intensity of competition among buyers/suppliers. Relative bargaining power is determined by the balance of power between the two parties to a transaction.

According to Grant (1995), Porter's (1980) model has limitations as an analytic tool due to its static nature. Industry structure is viewed as stable and externally determined, but competition is also a dynamic process by which industry structure itself can be changed through evolution and transformation. Porter's model fails to recognise that competition changes industry structure through conscious strategic actions by firms or as a result of competitive activities. The question that needs to be raised in the context of this investigation is whether Porter's model is appropriate to analyse the football industry. The football industry is a rather well defined industry and the core activities of clubs are pretty stable. The areas of development in the industry tend to be more in peripheral areas so that the model should be applied to the multiple dimensions of club operations. Grant (1995) refers to Schumpeter and the Austrian school of economics (see Jacobson, 1992) as the first to recognise the dynamic interaction between competition and industry structure. This school viewed innovation as a major change driver. The key issue raised by Schumpeter is whether current industry structures are a reliable guide to the nature of competition and industry performance in the future. From this point of view, the speed of

structural change has to be considered. Industry structure becomes a weak tool for analysing competition and profit when the pace of transformation is rapid and innovation has the potential to shift the basis on which firms compete.

Grant (1995) also remarks that according to a number of studies of industry changes over time, such as Geroski & Mason (1987), and Mueller (1986), the speed of change tends to be moderate. There are some industries however, notably those in technology intensive sectors, where rapid product innovations with steep experience curves do lead to constant changes in industry structure. D'Aveni's (1994) concept of hypercompetition is a further development from the Austrian school of strategy. In a hypercompetitive environment, competitors must move quickly to build advantages and erode the advantages of their rivals. This is done by firms moving up their escalation ladders faster than competitors, thus restarting cycles and accessing new competitive arenas. Rivalry for competitive advantage means that competitive advantage is transitory and only by continually recreating and renewing competitive advantage can firms sustain their market position over the long-term.

Another concept which can be used for industry analysis is the identification of key success factors. Hofer & Schendel (1978) define key success factors as those variables that management can influence through its decisions and that can affect significantly the overall competitive position of a firm in an industry. Grant (1995) identifies key success factors by posing two questions related to customers and competitors: what do customers want ? and What does the firm need to do to survive competition ? The first question implies that a firm must identify the needs of its customers and establish the basis of choice of one product over a rival product. The second question requires an analysis of the basis of competition in an industry. Figure 3.4 overleaf provides a basic framework for identifying key success factors.



Source: Grant (1995): Contemporary Strategy Analysis

Figure 3.4: Identifying Key Success Factors

3.4.2 The Internal Environment

It has been said in an earlier part of this chapter that strategy is concerned with matching a firm's resources and capabilities to opportunities arising in the external environment. This section shifts the emphasis to the interface between strategy and the internal environment of the firm. According to Grant (1995), the emphasis on the external environment reflects the dominant themes in strategy literature during the 1970's and 1980's, where most developments in strategy analysis concentrated on the industry and the competitive position of a firm in relation to rivals. During the 1990's the role of a firm's resources and capabilities as the principal basis for strategy and the primary determinant of profitability has been recognised and the resource-based view of the firm was developed by authors such as Barney (1991), Mahoney & Pandian (1992), Peterlaf (1993) and Collis & Montgomery (1995). At this stage of the discussion, the resources of a firm and capabilities will be merely identified. The issue of competitive advantage as a result of the resource-based approach will be addressed in more detail in the strategy content section later in the chapter.

Ambrosini, Johnson and Scholes (1998) identify and classify the resources that an organisation owns or can access to support its strategies. The internal environment of an organisation consists of variables that are within the organisation itself and not usually within the short-run control of top management. These variables form the context in which work is done. They include the corporation's structure, culture and resources. The corporate structure is a way a corporation is organised in terms of communication, authority, and workflow, it is often referred to as the chain of command and is graphically described in an organisation chart. The corporation's culture is that pattern of beliefs, expectations, and values shared by the corporation's members. In a firm norms typically emerge that define the acceptable behaviour of people from top management down to the operative employees. Corporate resources are assets that form the raw material for the production of organisation's products or services. These assets include people and managerial talent as well as financial assets, plant facilities, skills and abilities within functional areas. Grant (1995) views firm resources as being tangible, intangible or human. His framework of the relationships among resources, capabilities and competitive advantage is presented in figure 3.5.



Source: Grant (1995): Contemporary Strategy Analysis

Figure 3.5: The Relationships among Resources, Capabilities and Competitive Advantage

Grant (1995) also provides a framework for classifying and analysing resources which outlines the main characteristics of different types of resources. On financial resources, he remarks that a firm's borrowing capacity and its internal funds generation determine its capacity to invest and cope with fluctuations in demand and profits over time. Physical resources include the size, location, technical sophistication, and flexibility of plant and equipment, the location and alternative uses for land and buildings, raw material reserves. Grant (1995) remarks further that physical resources constrain the firm's set of production possibilities and determine important aspects of a firm's cost position. Technological resources can be found in the form of proprietary technology such as patents, copyright, trade secrets and technical know-how. Reputation can exist with customers through established relationships or the ownership of brands. Reputation can also be built up with suppliers, banks and other lenders, employees, potential employees, government agencies and with the community. For human resources, training and expertise of employees determine the skills available to the firm. The adaptability of employees can determine the strategic flexibility of a firm and the commitment and loyalty of employees determines the capacity of a firm to gain and maintain competitive advantage.

Resources are in most cases not productive on their own. Most company activities are formed from teams of resources working together. Grant (1995) uses the term organisational capability to refer to a firm's capacity to undertake a particular activity. Stalk, Evans, & Shulman (1992) define a capability as a set of business processes strategically understood. A capability is strategic when it begins and ends with the customer. The organisation is conceived as a big feedback loop that begins with identifying the needs of the customer and ends with satisfying them. The longer and more complex the string of business processes, the harder it is to transform them into a capability, but the greater the value of that capability once built because competitors have more difficulty imitating it.

Stalk, Evans and Shulman (1992) suggest that capability-based companies can outperform competitors along five dimensions: speed, consistency, acuity, agility and innovativeness. Speed refers to the ability to respond quickly to customer or market demands and to incorporate new ideas and technologies quickly into products. Consistency is the ability to produce a product that unfailingly satisfies customers' expectations. Acuity is the ability to see the competitive environment clearly and thus to anticipate and respond to customers' evolving needs and wants. Agility is the ability to adapt simultaneously to many different business environments. Finally, innovativeness is the ability to generate new ideas and to combine existing elements to create new sources of value. Kay (1993)

provides a slightly different set of distinctive capabilities: architecture, reputation, innovation and strategic assets. Architecture is concerned with the relationship of the firm with employees and customers. Reputation is one of the most important commercial mechanisms for conveying information to customers. The importance of reputation can be seen in markets where product quality is important but can only be identified through long-term experience. Innovation has been discussed in the previous paragraph. The term strategic assets refers to competitive advantage based on market position or dominance of the firm. There are three types of strategic assets: natural monopolies, superior cost structure due to late market entry, or benefits from market restrictions such as product licences or regulation.

3.5 Strategy Process Perspectives

Strategy-making processes can be distinguished according to a number of characteristics. De Wit & Meyer (1994) group the various schools of thought into two camps, the planning view and the incrementalist view. Mintzberg & Waters (1985) group types of processes according to whether they are of a deliberate or imposed nature. Johnson & Scholes (1999) differ between proactive, planning and rational views of strategy and alternative views, which are more reactive, irrational, cultural and political. The categorisation adopted for the purposes of this study has considered all of the above distinctions and broadly follows the deliberate-imposed continuum. Six different strategy process perspectives have been identified, a number of which have overlapping characteristics while at the same time differing on certain key issues. The process discussion starts at the deliberate end of the continuum with the strategic planning school, the design school and logical incrementalism, followed by the imposed end of the continuum with disjointed incrementalism, the interpretive approach and enforced strategy making. To round off this part of the chapter, the discourse on strategy process paradigms between two of the most renowned theorists in the strategy field, Mintzberg and Ansoff, will be reviewed.

3.5.1 The Strategic Planning School

Authors associated with this approach are for example Ansoff (1965), Hofer & Schendel (1978), Lorange (1980), Steiner (1969). These authors argue that the long-term development of organisations can be controlled and that the future can be forecasted. The emphasis of this point of view is on rational deduction of the best strategy on the basis of all the information available. The logic to the approach is that one has to know where one wants to go first and only if a long-term plan is made first, can the medium-term and operational plans be formulated so that they contribute to the realisation of the strategy. Characteristic of the strategic planning school is the use of flow charts, depicting the decision-making process as a computer program such as presented in Ansoff (1965) and Ansoff & McDonnell (1990). The strategic planning model prescribes a mode of strategy-making with a strong emphasis on top-down decision making, and in which strategy formulation is separated from strategy implementation. There is a strong focus on

statistical analysis, which requires considerable involvement of specialist planning staff, who can therefore perform important parts of the process instead of the top managers themselves.

Employing the planning paradigm, many authors in the strategy field have formulated models of the steps of the formal strategy process. It is useful for this investigation to present a typical strategic planning model in order to identify and discuss the main steps in the process. David's (1995) strategic management model, presented in figure 3.6, identifies the steps of strategy formulation as internal and external environmental auditing, mission development and establishment of long-term objectives followed by the generation, evaluation and selection of strategies. Strategy Implementation involves the steps of establishing policies and annual objectives, allocating resources which in turn is followed by performance evaluation.



Source: David (1995) : Concepts of Strategic Management

Figure 3.6: A Strategic Planning Model

3.5.1.1 Mission Statement Development

Johnson & Scholes (1999) define the mission statement as a general statement of the overriding purpose of an organisation. A well-conceived mission statement defines the fundamental, unique purpose that sets a business apart from other firms of its type and

identifies the scope of the business's operations in terms of products offered and markets served. Hamel & Prahalad (1989) prefer the term strategic intent to that of mission with strategic intent being more concerned with outlining a desired future state or aspiration of an organisation rather than just the *raison d'être*. Mission Statements can be formal, written statements or unwritten, informal statements. When a mission statement is developed as part of a strategic planning process it is usually in explicit written form so that it can be communicated throughout the organisation.

3.5.1.2 External Environmental Audit

Johnson & Scholes (1999) outline a framework for understanding the external environment of an organisation. The framework, represented below in figure 3.7, is divided up into a series of steps with certain analysis procedures being proposed for every step. The steps and types of analysis will be outlined briefly in the following section.

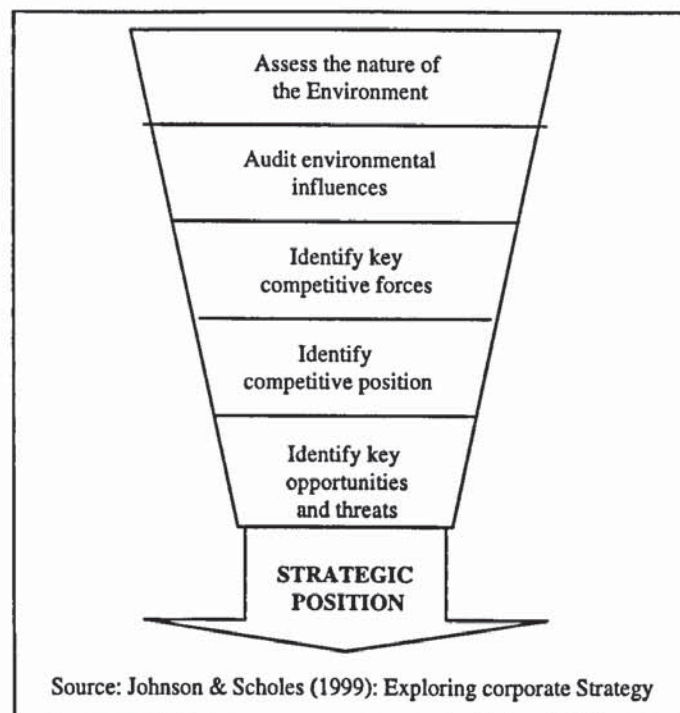


Figure 3.7: Understanding the External Environment

A first step is to assess the nature of an organisation's environment in terms of certainty. The questions to answer here are whether the environment is static or dynamic, simple or complex and if it is changing, in what ways.

A second step is an audit of environmental influences which are likely to affect an organisation's development or performance. One suggested categorisation identifies political, economic, social and technological influence factors, also called PEST analysis (Yip, 1995). The identification of major environmental influences can also be usefully built into the construction of scenarios, as advocated by Price (1998). Scenario planning builds plausible views of the different possible futures for an organisation based on environmental influences which display a high level of uncertainty.

The third step moves towards an explicit consideration of the competitive arena in which an organisation operates. Porter's (1990) five forces analysis aims to identify the key forces at work in the immediate or competitive environment and assessing their significance.

The fourth step is to analyse the organisation's competitive position, meaning how it stands in relation to other organisations competing for the same resources or customers. Available analytical techniques for this step are the strategic group analysis (Lewes & Thomas, 1990; Reger & Huff, 1993), market segmentation, and market attractiveness analysis. Strategic group analysis aims to identify organisations with similar strategies or competing on similar bases. Market segmentation seeks to identify similarities and differences between groups of customers and users. Market attractiveness analysis (Hax & Majluf, 1990) assesses the strength of a business in a particular market according to the long-term market attractiveness.

All previous analysis can be combined in the fifth step where an understanding of opportunities and threats in the environment is reached. This understanding needs to be considered in relation to the resource base and competences of an organisation, which are determined by the internal environmental audit and will be addressed in the next section.

3.5.1.3 Internal Environmental Audit

A resource audit should include all resources which are accessible to an organisation with an emphasis on those which create competitive advantage. A next step would be to carry out a value chain analysis (Porter, 1985). Value chain analysis describes the activities within and around an organisation and relates them to an analysis of the competitive strength of an organisation. Other available analytic options include the identification of core competences (Hamel & Prahalad, 1990), or critical success factors (Hardaker & Ward, 1987). Both these approaches aim to identify those components of strategy in

which the organisation must excel to outperform competition. Comparative analysis tools are the historical analysis, the industry norm analysis, benchmarking and financial analysis. Historical analysis looks at the deployment of resources and the performance of an organisation by comparison with previous years in order to identify significant changes. Industry norm analysis, discussed by Ellis & Williams (1993), compares the relative performance of organisations in the same industry against an agreed set of performance indicators. Benchmarking (Watson, 1993; Codling, 1998) seeks to assess the competences of an organisation against “best in class” wherever that is to be found. Financial analysis usually involves a number of financial ratios or a resource audit in financial terms. Grundy, Johnson and Scholes (1998) show a range of financial analysis techniques which can contribute to a strategic analysis.

Finally, the key issues from an analysis of the business environment and the strategic capability of an organisation can be summarised in a SWOT analysis (Tilles, 1968), where the internal strengths and weaknesses of an organisation are compared to the opportunities and threats which exist in the external environment.

3.5.1.4 Establishing Long-term Objectives

The business mission determines the parameters of the specific objectives to be defined by top management. These objectives are listed as end results of planned activity. They state what is to be accomplished by when and are often expressed in financial terms, such as for example the expression of desired sales, profit levels or rates of growth. Organisations can also have non-financial objectives which are expressed in formal statements of objectives to be met relating to the stakeholders of an organisation.

3.5.1.6 Generating, Evaluating and Selecting Strategies

Organisations need strategies in order to achieve their objectives and pursue the business mission and strategic vision. Strategies outline how sustainable competitive advantage can be achieved, how competitors can be outperformed. Earlier in this chapter the different levels for which strategies can be devised within a company have been identified. Strategies can be generated for all these levels. A company's strategies are generally shaped by a combination of external environmental factors such as overall economic conditions, competitive conditions and overall industry attractiveness, and of internal

factors, which include a company's resource bases, competencies and competitive advantages as well as the strategic vision, mission and personal ambitions of managers. Under consideration of the above factors, a number of strategic options can be generated. A strategy can be considered successful if it gives a firm a sustainable competitive advantage. In the classical tradition of strategic management, strategy making is product-life-cycle based and strategic options are based on the choice of one of Porter's (1980) generic strategies, cost leadership, differentiation, focus.

The Product Life Cycle (Porter, 1980) is a concept for predicting the probable course of industry evolution. It advocates that an industry passes through a number of phases – introduction, growth, maturity and decline – illustrated in figure 3.8 underneath. As the industry goes through its life cycle, the nature of competition will shift and different types of generic strategies need to be chosen. In principle, a cost leadership strategy may seem appropriate during the early phases of the product-life-cycle whereas differentiation or focus strategies may be more appropriate in the later phases. Porter's generic strategies will be discussed in more detail in the strategy content section



Source: Porter (1980)

Figure 3.8: The Product Life Cycle

In the strategic planning approach, strategies are generated on the basis of the strategic analysis, which was conducted on the internal and external organisational environments. According to Johnson and Scholes (1999), the evaluation of strategies is based on a number of identifiable criteria: suitability, acceptability and feasibility (Ambrosini, Johnson and Scholes, 1998). Suitability is concerned with whether a strategy addresses the circumstances in which the organisation is operating. Analytical techniques to

determine suitability can be the Life Cycle analysis (Hax & Majluf, 1984), value chain analysis or portfolio analysis (Bowman & Ash, 1996). Life cycle analysis assesses whether a strategy is likely to be appropriate given the stage of the product life cycle. Value chain analysis is outlined in more detail in the strategy content section. Portfolio analysis is concerned with the balance of an organisation's business units. Furthermore, strategic options can be screened, which is the process of comparing the merits of different strategies.

Acceptability is concerned with the expected performance outcomes, such as risk and return, if a strategy is implemented. Tools for analysing return include profitability analysis (Ellis & Williams, 1993), cost-benefit analysis (Williams & Giardina, 1993) and shareholder-value analysis (Rappaport, 1986). Risk analysis tools include financial ratio projections (Ellis & Williams, 1993) and sensitivity analysis (Taylor & Sparkes, 1977).

Feasibility is concerned with whether an organisation has the resources and competencies to deliver a strategy. The analytical approaches available to analyse feasibility are outlined by Johnson and Scholes (1999). They are the funds flow analysis, which seeks to identify the funds which would be required for any strategy and the likely sources of funds, the break-even analysis explores the feasibility of meeting set targets for returns or profits and the resource deployment analysis is used to make a wider non-financial assessment of the resources and competencies of the organisation in relations to strategic options.

The selection of strategies in the strategic planning approach is a rational process. The organisations objectives, often expressed in financial terms, are used as measures by which options are assessed. The evaluation techniques outlined above should provide quantified measures regarding strategic options and identify the "right" strategies.

3.5.1.7 Establishing Policies and Allocating Resources

Strategy Implementation is the process by which strategies and policies are put into action. In the strategic planning perspective, strategies are formulated for the whole organisation at the centre of the organisation. The detailed formulated plans for all organisational levels prescribe roles and activities for divisions and departments throughout the organisation. The first step in implementing a strategy is to develop or adjust current operative policies and procedures in the light of the strategy which is to be implemented. The next step is to allocate the resources according to the determined

objectives and policies. Resources are most commonly allocated through the budgeting process.

3.5.1.8 Measuring and Evaluating Performance

Evaluation and control is the process in which corporate activities and performance results are monitored so that actual performance can be compared with desired performance. Managers at all levels use the resulting information to take corrective action and resolve problems. Evaluation and control is the final major element of strategic management. It can also pinpoint weaknesses in previously implemented strategic plans and thus stimulate the entire process to begin again.

3.5.2 The Design School

Authors such as Andrews (1971, 1980) and Christensen et al. (1987), characterise the design school as having a strong emphasis on top-down decision making. The top manager or chief executive is assumed to be "the" strategist. The role of lower level managers and staff is seen as largely constricted to information gathering for top management. The strategic decision making process prescribed by the design school adheres to the strategic planning school in many ways. The process is characterised by a linear sequence of discrete steps, where strategy formulation and strategy implementation are separate activities with formulation preceding implementation.

Because the CEO is the key strategy designer, strategy must be made explicit in order to be communicated to other members of the organisation who have not been involved in the process of formulating strategy but who will play a part in implementing it. Another consequence of this practice is that the formulation process remains relatively simple and informal because all the decisions are taken by a single individual, the dominant leader.

3.5.3 Logical Incrementalism

Quinn (1980) attempts to demonstrate that incremental decision making, if applied in a "logical" manner, can be efficient for firms. According to the logical incrementalism model, strategic decision-making in organisations is intuitive, evolutionary, and

fragmented. There are no clear criteria as to what is the best strategy in a given situation and a manager has always to some extent to rely on his or her gut feelings in choosing a strategy. Managers will also first experiment with various alternatives on a smaller scale and progressively change goals and policies as more information becomes available rather than rushing head-on into a completely new strategy. The fragmentation occurs due to the different views and interests as well as power bases that are held throughout the organisation. In Quinn's view managers do pursue long-term goals but they realise that the strategic planning approach is not the best way to attain these goals.

"A good manager keeps an eye on his or her long-term goals, but also on the political and cognitive restrictions with which he or she has to cope". (cf. Wrapp, 1984).

Quinn sees logical incrementalism as an adequate response to the complex problems managers are confronted with. The main points of the logical incremental approach can be outlined as follows:

1. Effective strategies for the organisation as a whole emerge from the partial strategies of subsystems.
2. The decision-making processes within the various subsystems follow a logic and tempo of their own.
3. Within each subsystem specific restrictions with regard to information availability, cognitive constraints and process characteristics apply.
4. Strategic decision making is strongly influenced by unexpected major events.

A subsystem is a concept used by Quinn to describe a group of organisation members that in a particular problem area formally or informally has the competence to make decisions on behalf of the organisation. In many cases a subsystem will be made up from one or more members of the executive board plus managers from the departments most concerned. Quinn believes that it is not effective to design an overall strategy at the top and subsequently have that strategy elaborated into plans for the shorter term and for various parts of the organisation. Strategic decision-making should in his opinion be more of a "bottom-up" and less of a "top-down" activity. In some subsystems data and objective information are relatively abundant. It is possible, for instance, to get information about the cost of capital or about the effects of a promotional campaign, but it is much harder to judge the comparative effectiveness of several possible organisation structures, or to evaluate possible programmes for boosting employee motivation. In the absence of data and information, a different decision-making process is needed, employing small-scale

experiments and trial-and-error. Major unexpected events can be things like technological breakthroughs, political landslides, or the sudden death of a key executive.

3.5.4 Disjointed Incrementalism

While the planning and incrementalist approaches differ on many accounts, they both share the assumption that a rational proactive strategist can direct the organisation.

However, there is a different school of thought, called interpretative by some authors such as Chaffee (1985), or political and cultural by others (Bailey & Johnson, 1992; Mintzberg, 1990b; Buchanan & Boddy, 1992). Johnson (1988) is one of the proprietors of this perspective. He agrees with Quinn on the issue of incrementalism, but doubts the rational nature of organisational action. He argues that the "rationality" of every member of the organisation is limited by politics, perceptions, beliefs, myths, and rituals.

Managers are assumed to command only restricted rational faculties in the disjointed incrementalist view, and consequently they are not able to oversee all aspects of a strategy, nor to foresee all consequences of a chosen strategic option. The strategy of an organisation is seldom completely reconsidered, managers rather decide on small changes in the existing situation. As a result changes of strategy are most of the time only marginal or "incremental". Strategies are the outcome of processes of bargaining and negotiation between internal and external interest groups. Negotiating groups may have different interests, different expectations or may even be in conflict with each other. Powerful groups can control information flows and influence the identification of key issues concerning the organisation. Granovetter (1973) views organisations more as social networks rather than hierarchies. In social networks, different groups co-operate with each other and ways to co-operate are determined by negotiation.

The organisational decision-making process is incoherent or disjointed in two respects: in time, and over issues. According to Lindblom (1959), and Braybrooke & Lindblom (1963), decision-makers do not even try to look far ahead. Instead they concentrate on goals that are proximate in time. Thus, rather than trying to formulate a strategy for the following 10 years, decision-makers prefer to try to achieve an advantage next month, with the distant future being heavily discounted. Awareness of strategic issues is thus not necessarily an analytical process, but issues of importance can be "sensed" by individuals in the organisation. Once an issue has the attention of decision-makers, information collection can take place, usually in a informal, unstructured and verbal manner.

Information is rationalised in the light of managerial experience and through subsequent debate and discussion an organisational view of a particular problem can be reached. Differing views on strategic issues are resolved through the political process of debate and discussion. Debates and discussions are also the processes through which solutions are found to tackle strategic issues. Managers draw on their own experience in order to make judgements and strategies emerge as outcomes of managerial experience within a social, political and cultural context. Formal analysis can also be used in this approach but it often only complements the process rather than being a central element of it.

3.5.5 The Interpretative Approach

The interpretative or cultural approach to strategic decision-making takes issue with the "logical" aspect of Quinn's model. According to the interpretative approach, accounts of strategic decision-making processes given by managers should not be taken at face value (Johnson 1987,1988; Johnson & Scholes 1993). Post hoc, managers rationalise decision making to a process closely resembling logical incrementalism or even strategic planning where in reality these decisions were much less "logical". Noorderhaven (1994) argues that the interpretative approach strategic decision-making is seen as a semi-closed system. Managers are often assumed to react to signals from the environment, but their response is triggered by their "perception" of these signals. Schein (1985) outlines that strategies are the outcome of taken-for-granted assumptions and routines of the individuals which make up an organisation. There are many different cultural frames of reference which influence managers, such as a managerial function, a professional grouping, an organisation as a whole and more widely an industry sector. At the broadest level of aggregation a national frame of reference can be identified. The following figure 3.9 illustrates the different frames of reference graphically:



Source: Johnson & Scholes (1999)

Figure 3.9: Individual Frames of Reference

If the belief sets of individual managers are relatively persistent and homogeneous within the organisation an "organisational paradigm" may be said to exist. This paradigm is the prevalent model of reality in the organisation, and conditions the way in which the environment is perceived. The organisational paradigm derives its persistency from the fact that individual belief systems are relatively stable, as well as from the reinforcement mechanisms at the level of the group and of the organisation. The paradigm will be reflected in the organisational power structure, organisational structure, control systems, and routines for accomplishing tasks. In the same way, the organisation culture, reflected in rituals, myths, and symbols will tend to reinforce the organisational paradigm. Figure 3.10 shows a graphic display of the organisational paradigm concept:



Source: Johnson & Scholes (1999)

Figure 3.10: The Organisational Paradigm

Noorderhaven (1994) points out that the most important difference between the interpretative approach and the logical incrementalist model has to do with the way organisations adapt to environmental changes. In the logical incrementalist model, changes in the environment are followed imperfectly and with some delay by corresponding changes in the organisational strategy. The process of strategic adjustment according to the interpretative model is different. The direction of strategic adjustments corresponds only roughly to the rate and direction of environmental change. Occasionally a shift in the environment is misinterpreted completely and the strategic adjustment actually leads to a worse "fit". Over time, the strategic adjustment cannot prevent the organisation from getting out of tune with the environment. This phenomenon is called "strategic drift" by Johnson (1988) and illustrated by figure 3.11:



Source: DeWit & Meyer (1994)

Figure 3.11: The Strategic Drift Phenomenon

With continuing "dissonance" between the signals from the environment and the expectations of organisation members, some individuals will start doubting the generally accepted model of reality and challenge the established strategy. After a while, the environmental pressure and dissidence may grow strong enough to tilt the balance and the until then dominant paradigm is replaced by a new one. This kind of change is revolutionary if compared with the normal pattern of incremental adjustments and will in many cases be accompanied by changes in staff (Starbuck et al., 1978).

3.5.6 Enforced Strategy

The choice of strategy can be severely constrained by external environmental conditions. Agencies such as the Government can even impose a certain strategy on organisations. Population ecologists such as Aldrich (1979) argue that under such conditions the environment is such a dominant influence that organisations are unable to influence their operating environments. Firms can only buffer themselves against changes in the environment or merely respond to them. The process by which successful companies emerge is thus similar to that of natural selection with those organisations that are for whatever reason able to best respond to environmental changes being successful.

3.5.7 The Debate about Strategy Process Paradigms

There has been a long-running debate between the planning and incrementalist schools of thought as to which framework is dominant. Mintzberg (1990b) takes a stance for the incrementalist side, by providing a critique of the planning approach which revolves around the planning school's separation of formulation and implementation. Mintzberg argues that organisations cannot simply assess their strengths and weaknesses in advance to action, because every strategic change involves new experiences and risk taking. Thus, no organisation can ever be sure in advance whether an established competence will prove to be a strength or a weakness. The planning school follows Chandler's (1962) argument that structure should follow strategy and be determined by it.

For Mintzberg, this model also accepts the opposite since an assessment of organisational strengths and weaknesses is part of the strategy formulation process. Structure then plays a major role in determining strategy as well, by constraining and conditioning it as well as guiding it. Therefore, Mintzberg concludes that structure follows strategy "as the left foot follows the right in walking". Strategy and structure both support the organisation, each always precedes the other, and follows it. There is a whole range of possible relationships between formulation and implementation. On certain occasions, formulation should precede and guide implementation. On other occasions, especially in periods of major unexpected environmental shifts, formulation and implementation are interlinked in a continuous process rather than being separate sequential steps. Mintzberg also extends his critique to the issue of explicitly formulating strategies. He recognises some reasons for making strategy explicit, but essentially he is of the opinion that unless the strategist is

sure about a future direction, explicitly formulated strategies are "blinders designed to focus direction and so to block out peripheral vision". He argues that the more clearly articulated a strategy is, the more organisation members identify with it and subsequently this will increase the resistance to strategic change, should it be required.

Ansoff (1991), in defence of the planning school, argues that the trial-and-error approach as prescribed by the incrementalist school is inferior because it leaves markets to the foresightfully planning firms. He advocates the use of the planning approach in cases when the cost of a failed trial is very high. Explicitly formulating a priori strategies in times of environmental turbulence is a way of coping with uncertainty in Ansoff's view.

Ansoff (1991) dubs Mintzberg's model of trial-and-error the existential model of learning. He contrasts this with an alternative model, called the rational model of learning, where decision making is the first stage, followed by the implementation of that decision. For Ansoff, the rational model has several advantages over the existential. In cases in which decision-making is less time-consuming than trial and error, the rational model saves time by selecting action alternatives that are most likely to produce success. This time saving is of great importance in organisations that find themselves in rapidly changing environments, since it permits additional savings of time through starting response in anticipation of need to act - the strategic planning process. Also, it reduces the number of strategic errors and reduces costs by eliminating the probable "non-starters" from the list of possible strategic moves.

Ansoff condemns Mintzberg for not recognising the rational model as a legitimate alternative to the existential model. He specifies that successful practitioners of strategy typically use a strategic control mechanism that periodically reviews and revises strategy in light of experience. This leads him to conclude that the use of explicit strategy in practice is not rigid and does not preclude attention to new opportunities outside the scope of strategy, however, the use of explicit strategic control does control erratic deviations from the strategy. Additionally, the use of strategic control converts the rational learning mode into a more sophisticated one. The model becomes a chain of cognition-trial-cognition-trial, ad infinitum, referred to as strategic learning model by Ansoff & McDonnel, (1990).

Mintzberg (1991), in reply to Ansoff, points to the limits of rational behaviour in a complex and turbulent environment. He argues that in some cases it has been shown that the strategies which have led to success would have been or have been the "probable non-starters", which the rational model would have discarded. Mintzberg makes clear that the

conception of a novel strategy is a creative process for which there are no formal techniques, while recognising that formal analysis is required to program these strategies throughout complex organisations which can mean that the two processes can intertwine. Finally, Mintzberg (1991) aims to bring both arguments of the debate together by concluding that both sides are concerned with the same process, the interchanging relationship between strategy and structure, but each approaches it from a different angle. Both approaches are required in different circumstances and for this reason they cannot really be seen as conflicting but rather as complementing paradigms. He blames practitioners and academics for the failure to achieve a balance and the tendency to promote one particular approach as the only acceptable one, where real life developments have proven to be far more complex and unexpected as to be treated with such a one-dimensional approach.

3.6 The Strategy Content

Strategy content has been defined as the output of the strategy process - the intended or realised course of action selected to achieve the company's long-term objectives. This section will first consider the concept of competitive advantage, which is central to business strategy, before focusing on types of strategies at the corporate and multicompany levels. Finally, to finish off this section, the two main schools of thought related to the strategy content issue will be presented.

3.6.1 Business Level Strategies

Grant (1995) defines competitive advantage as the ability of a firm to outperform rivals on the primary performance goal, which in most industries is profitability. From this definition it can be deduced that establishing competitive advantage is at the heart of business level strategy, a view supported by Ohmae (1983).

Competitive advantage can have its origin in external and internal sources. In the external environment, the identification of key success factors is essential for achieving competitive advantage in an industry in terms of the conditions which have to be met to satisfy customers and survive competition. Internal environmental sources of competitive advantage are grounded in the firm's resources and capabilities.

Competitive advantage is closely linked to the competitive process. According to Grant (1995), competition provides the initial incentive for establishing competitive advantage and the competitive process is also the means by which advantage is eroded. The speed by which the competitive advantage is undermined by other firms depends on the ability of competitors to either imitate or innovate. Grant argues that the essence of the competitive process is the imitation of the strategy of the advantaged firm by rivals and for competitive advantage to be sustained over time, barriers to imitation have to exist. Grant (1995) argues that establishing and sustaining competitive advantage in a business requires understanding the characteristics of the competitive process in that specific market. Opportunities for competitive advantage require some form of imperfection of competition and subsequently, competitive advantage is absent in the situation of perfect competition. Perfect competition exists where a market is in equilibrium, which means

there is no product differentiation, no barriers to entry or exit and a free flow of information. All firms earn profit rates which just cover their costs because prices adjust instantaneously to newly available information and no one firm can expect to earn more than any other. Imperfections in the competitive process can originate from a number of sources: The issue of information has already been mentioned above, imperfect availability of information can create competitive advantage in markets where such information advantages can be exploited by quick reacting firms as this type of advantage tends to be of short duration. Imperfection of information can also exist where firms have managed to create a number of complex capabilities which might not easily be recognisable to rival firms.

Some of the other sources of market imperfections mentioned by Grant (1995) are overshooting, changes in industry conditions, deterrence and preemption. Overshooting is an overreaction to new information with the result that prices overshoot because the majority of firms in a market reacts in the same way, thus creating a bandwagon effect. Changes in industry conditions often offer multiple opportunities for creating competitive advantage even though those advantages tend to be eroded with time. In hostile competitive environments, competitive advantage might be sustained if the advantaged firm can discourage would-be imitators from challenging the current market structure. In industries where a firm can gain an advantage by being the first to move into the market, competitive advantage is likely to be sustained because the market might be too small for following firms and essential resources might be scarce or held by the leading firm.

After having identified the different sources of competitive advantage, it is possible to move the discussion on to the different types of competitive advantage which can exist. Grant (1995) states that a firm can achieve a competitive advantage over a rival in one of two ways: either by supplying an identical product or service at a lower cost or by supplying a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of differentiation. In the first instance, a firm possesses what Porter (1980) has termed a cost advantage. In the second instance, the firm possesses a differentiation advantage. In pursuing cost advantage, a firm aims to become the cost leader in its industry. According to Porter (1980), cost leadership is a unique position in the industry that requires a firm to find and exploit all sources of cost advantage and sell a standard, no-frills product. Differentiation from competitors is achieved when a firm provides something unique that is more valuable to buyers than a low price. By combining the two types of competitive advantage with a firm's choice of scope, meaning a broad market versus a narrow segment, Porter

(1980) has defined three generic strategies: cost leadership, differentiation, and focus. Figure 3.12 illustrates Porter's strategies.



Source: Grant (1995): Contemporary Strategy Analysis

Figure 3.12: Porter's Generic Strategies

Porter views cost leadership and differentiation as mutually exclusive strategies. A firm that attempts to pursue both is "stuck in the middle". Grant (1995) argues that in practice only very few firms strictly follow one generic strategy. All firms must take decisions as to which customer requirements to focus on, and where to position their product or service in the market. Firms that pursue a cost leadership strategy can still aim at differentiating their product in terms of brand image or other aspects. Similarly, firms that pursue differentiation strategies cannot be oblivious to cost. Grant (1995) points out that in most industries market leadership is held by a firm that maximises customer appeal by reconciling effective differentiation with low cost. In fact, reconciling differentiation with low cost has been one of the strategic issues of the 1990's with Japanese companies leading the way with the development of total quality management. A number of studies, such as for example by Meredith (1989), have found that innovations in manufacturing technology and manufacturing management result in simultaneous increases in productivity and quality. Grant (1995) goes on to mention that differentiation and cost reduction can be complementary in other ways. He reasons that differentiation can increase a company's market share, which in turn can open up the possibility of economies of scale.

In the remaining part of this section, the cost advantage and differentiation strategies are analysed in more detail. A useful framework for this purpose is Porter's (1987) value chain. The value chain can be used as a framework for a comprehensive cost analysis

because it can identify the relative importance of each activity to the overall cost position of the firm, thus allowing an assessment of which activities are cost efficient and which ones should be outsourced. Furthermore, it can identify the cost drivers for each activity and how costs in one activity influence costs in another.

According to the value chain framework, every business unit is a collection of discrete activities ranging from sales to accounting that allow it to compete. These can be called value activities. Porter argues that it is at this level that each business unit achieves competitive advantage. The activities of the value chain are grouped in nine categories. Primary activities create the product or service, deliver and market it, and provide after-sales support. The categories of primary activities are inbound logistics, operations, outbound logistics, marketing and sales, and service. Support activities provide the input and infrastructure that allow primary activities to take place. The categories are company infrastructure, human resource management, technology development, and procurement. Figure 3.13 gives a graphic overview of the concept.



Source: DeWit & Meyer (1994)

Figure 3.13: The Value Chain

3.6.1.1 Cost Advantage

This paragraph is especially concerned with identifying the factors that determine a firm's cost position. Grant (1995) identifies a number of these factors, which he calls cost drivers. Figure 3.14 lists the main drivers of cost advantage.



Source: Grant (1995): Contemporary Strategy Analysis

Figure 3.14: The Drivers of Cost Advantage

Economies of scale exist wherever proportionate increases in the amounts of inputs employed in a production process result in disproportionate increases in total output. Hence, as the scale of production increases, unit costs fall. Scale economies arise because many input items are unavailable in small sizes and require a larger volume of output to be economically efficient and because specialisation and division of labour have accelerated production processes.

Economies of learning are based on the notion that repetition reduces costs by decreasing the time required for particular jobs with the more complex processes or products bearing the greater potential for learning. Process technology has the potential to reduce costs when production methods can be developed further to require fewer inputs. Product design can save costs when the design process considers production issues alongside functionality and aesthetics. Process design can have a cost saving potential because reorganising production processes can achieve substantial efficiency gains, as the popular concept of business process reengineering (BPR) has shown in a number of industries. Capacity utilisation can influence costs when plant capacity is under-utilised and overall costs have to be spread over fewer units of production.

Grant (1995) remarks that in businesses where virtually all costs are fixed, such as for airlines or theme parks, profitability is highly sensitive to shortfalls in demand. Input costs can influence the cost position of a firm when different firms pay different amounts for identical inputs. Lower input costs can occur due to locational differences, the ownership

of low-cost sources of supply, non-union labour, bargaining power and closer relationships with suppliers. Residual efficiencies depend on a firm's ability to eliminate organisational slack.

3.6.1.2 Differentiation Advantage

Grant (1995) remarks that the potential for differentiating a product or service is partly determined by its physical characteristics. Differentiation opportunities are constrained for technically simple products, for products satisfying uncomplicated needs, or those having to meet technical standards. Complex products satisfying complex needs which do not need to conform to technical standards offer a greater scope for differentiation. Otherwise, the potential for differentiation in any product or service is only limited by the boundaries of the human imagination.

Differentiation includes every aspect of the way in which a company does business and relates to its customers. It is not an activity specific to design and marketing, but it can incorporate all functions and can even be built into the identity and culture of a company. Grant (1995) distinguishes between tangible and intangible aspects of differentiation. Tangible aspects are observable characteristics of a product or service that are relevant to the preferences and choice processes of customers; such characteristics can for example be product size, shape, colour, weight, design, material, technology, reliability, consistency, taste, speed, durability or safety, but can also include complementary product services such as pre- or after-sales service, accessories, availability, speed of delivery, credit or future upgrading abilities. Intangible aspects refer to value perceived by customer which can not readily be associated with tangible aspects. Products and services are also chosen for a number of social, emotional, psychological, and aesthetic reasons. This means that the product or company image becomes an important choice criterion, especially for those kinds of products and services whose qualities and performance are difficult to measure at the time of purchase.

Grant (1995) further argues that successful differentiation involves matching customers' demand for differentiation with a firm's capacity to supply differentiation. From the demand point of view, the key to successful differentiation is to understand customers, and since differentiation has to do with the company and not only the product, it is vital to look behind the product and investigate the lifestyle, personality and social grouping of customers. This can be achieved by various means of market research, the discussion of

which is not relevant for the purposes of this study. On the supply side, the primary function lies in determining which forms of differentiation may be most successful in distinguishing the firm in the market and which are most valued by customers. From this point of view, the key to successful differentiation is matching a firm's capacity for creating differentiation with the potential demand for it by customers.

3.6.1.3 Alternative Approaches to Business Strategy

The development of competitive advantage, especially advantages which can be sustained, is an extremely difficult task for all organisations. This circumstance means that organisations can be found to have adopted other strategic behaviour patterns than those which have been described above.

Kay (1993) has identified a particular strategic behaviour, which he calls copycat strategy. There is a mechanism for formulating strategy which is apparently simpler than selecting from a menu of generic strategies in the light of a well-formulated assessment of the business environment. That is to look at what other firms do, and copy it. This strand of strategy has two primary threads. Observers are inclined to seize on some particular characteristics of successful companies and advocate their widespread adoption, as could be seen with the adoption of the Japanese practice of Just In Time inventory management in companies all over the globe. The other thread results from the inevitable desire of the number two, or number three firm in an industry to be number one; and how better to become number one than to be like number one. Kay (1993) points to the fundamental problems of copycat strategy: Practices that work in certain environments, can not readily be transplanted into other environments and be equally successful. A change in practice often also requires changes in the infrastructure and cultural elements surrounding that practice. A second problem is that in most fields of human endeavour, one person can do something well without inhibiting the ability of anyone else to do the same thing equally well and this clashes with the notion that successful strategies are - necessarily - individual to the particular firms which adopt them.

Porter (1996) comments on the same issue that for at least the past decade, managers have been preoccupied with improving what he calls operational effectiveness. Through programs such as TQM, time-based competition, and benchmarking, firms have changed how they perform activities in order to eliminate inefficiencies, improve customer satisfaction, and achieve best practice. Constant improvement in operational effectiveness

is necessary to achieve superior profitability but it is not usually sufficient. Porter (1996) argues that only a few companies have competed successfully on the basis of operational effectiveness over an extended period and staying ahead of rivals gets harder every day. The most obvious reason for that is the rapid diffusion of best practices. Competitors can quickly imitate management techniques, new technologies, input improvements, and superior ways of meeting customers needs. The most generic solutions - those that can be used in multiple settings - diffuse the fastest. The more benchmarking companies do, the more they look alike. The more that rivals outsource activities to efficient third parties, often the same ones, the more generic those activities become. As rivals imitate one another's improvements in quality, cycle times, or supplier partnerships, strategies converge and competition becomes a series of races down identical paths that no one can win.

Competition based on operational effectiveness alone is thus mutually destructive. The companies left standing are those that outlasted others, not companies with real advantage. Porter (1996) deduces that managers have gradually let operational effectiveness replace strategy, resulting in static or declining prices and pressures on costs that compromise companies' ability to invest in the business for the long term.

3.6.2 Corporate Level Strategies

Many companies are active in more than one business. These firms have based their strategy of diversification on the assumption that multibusiness involvement will lead to synergies that outweigh the extra costs of managing a more complex organisation. Corporate strategy deals with the identification and realisation of these synergies. Porter (1987) has articulated the two central questions of corporate strategy:

- What businesses should the organisation be in ?
- and
- How should the corporate centre manage its array of businesses ?

The issues addressed by these two central questions are those of composition and control. Opinions differ considerably on how to determine the right corporate composition and the most effective type of central control. DeWit & Meyer (1994) identify three distinct approaches to corporate strategy in the literature which can be distinguished according to the type of synergies they emphasise. The first perspective is the portfolio approach,

which focuses on business units sharing financial resources and the corporate centre exerting mainly financial control. The second perspective is termed the linkages approach and focuses on business units sharing skills and activities with the corporate centre fostering these linkages. The third perspective is the core competence approach, which focuses on building the corporation around fundamental competencies shared by all business units with the corporate centre being responsible for the development of these core competencies. The three approaches will be discussed, in turn, in the following paragraphs.

3.6.2.1 The Portfolio Approach

The portfolio approach has been adopted by businesses in the late 70's in response to the problems and prospects of managing diversified companies. This approach views the centre of a corporation as an investor with financial stakes in a number of standalone business units. The "glue" keeping the company together are the financial resources.

The role of the centre is one of selecting a promising portfolio and exerting financial control over the individual business units. Financial control involves redirecting flows of cash from business units where prospects are dim to other business units where higher returns can be expected.

A number of portfolio analysis tools have been developed to help managerial decision making. Hofer & Schendel (1978) present one of the most popular, the Boston Consulting Group (BCG) matrix. In this matrix, each of a company's businesses is plotted according to the growth rates of the industry in which it competes and its relative competitive position or market share in that industry. Businesses with a high growth rate and a high market share are called "stars" because they are growing rapidly while being roughly self-containing in terms of cash-flow and according to the matrix, they represent the best profit and growth opportunities available to a company. Businesses with a low growth rate and a high market share are called "cash cows" because they usually have achieved superior market positions with low costs and low demands for investment that permit to generate large amounts of cash surpluses. Businesses with a small market share and a low growth rate are called "dogs" because they usually are not very profitable and according to the matrix, any such businesses should be liquidated. Businesses with a high growth rate and a small market share are referred to as "question marks". They usually have the worst cash-flow position of all since their cash needs are high because of growth and their cash

generation is low because of low market share. The two viable strategies for a question mark are to either grow it into a star or to divest it. Figure 3.15 illustrates the BCG matrix.



Source: DeWit & Meyer (1994)

Figure 3.15: The Boston Consulting Group Growth-Share Matrix

Using the BCG matrix as a framework, the strategic mission of each business unit is to a great extent financial in orientation. The options are grow, hold, milk, or divest, depending on the business unit's position on the matrix. A good corporate strategy strives for a balanced portfolio of mature cash generators and cash users with a high potential of return on investment.

Some authors though, raise criticisms about the use of the BCG matrix: For Hofer & Schendel (1978), the use of a four-cell matrix might be too simplistic a tool to assess market share and growth rates as high and low are only two extremes on a continuum. Using growth rate as an indicator of industry attractiveness can be too simplistic and inaccurate as industries can be attractive and profitable for a host of other reasons. Lastly, market share can be inadequate as a description of overall competitive position because it is strongly dependant on a definition of the market which can vary from firm to firm. Haspeslagh (1982) sees diversity as a powerful potential source of competitive advantage but also admits that it can bear fundamental difficulties. Diversity provides the

opportunity to gain new leadership positions, but internally diversification can create a managerial gap between the corporate and the business level. The corporate level has the power to commit resources but often only has a superficial knowledge of each business and at the business level, managers have the substantive knowledge required to make resource allocation decisions but lack the ability to see the “big picture”.

3.6.2.2 The Linkages Approach

Porter (1987) argues that the interdependencies between business units of a firm are critical to a successful diversification strategy. The corporate centre should strive to achieve synergy between the business parts by creating and managing value-adding linkages. Porter (1987) goes on to outline three essential tests which companies should consider when formulating corporate strategy: The attractiveness test, the cost-of-entry test and the better-off test. The attractiveness test should determine whether the chosen industry promises long-term returns which will exceed the capital investment. This involves an assessment of revenue potential, substitute products, potential competitors, level of investment and customer behaviour. The cost-of-entry test should determine whether the cost-of-entry to a new business will be offset by expected returns. A company can enter a new industry either by acquisition or start-up and the benefits and pitfalls of both these options have to be carefully assessed with regard to the attractiveness of the targeted industry. The better-off test is concerned with determining whether a corporation can bring a significant new competitive advantage to a particular business unit and whether this advantage can be sustained over time.

The two concepts presented by Porter (1987) which exploit the interrelationships between business units are the transfer of skills and the sharing of activities. Porter (1987) uses the concept of the value chain (see Figure 3.13) as a starting point for his discussion on the transfer of skills. The value chain defines the two types of interrelationships that may create synergy, transferring skills and sharing activities. While each business unit has a separate value chain, knowledge about how to perform activities is transferred among the units. These opportunities arise when business units have similar buyers or channels, similar value activities, similar chain configurations or similar strategic concepts such as for example a low cost orientation. The transfer of skills leads to competitive advantage when business activities are similar enough that sharing of expertise is meaningful. Also, the transfer of skills should involve activities which are important to competitive

advantage. Opportunities to transfer skills may help a company to transform the structures of newly entered industries in their favour.

The ability to share activities is a potent basis for corporate strategy because sharing often enhances competitive advantage by lowering cost or raising differentiation. A cost-benefit analysis of prospective sharing opportunities can determine whether synergy is possible. Sharing can lower costs if it achieves economies of scale, increases the efficiency of utilisation or helps a firm speed up the learning process when entering a new market. Porter (1987) insists that sharing must involve activities that are significant to competitive advantage and not just any activity.

3.6.2.3 The Core Competence Approach

Prahalad & Hamel (1990) make a case for even more linkages between the various business units of a company. They believe that competition actually does take place at the corporate level and this implies that the roots of competitiveness lie within the corporate whole. The argument put forward is that a company's diversification efforts should originate from and at the same time reinforce the core competencies of a firm. The firm is compared to a large tree with the trunk and major limbs being the core products, the smaller branches being the business units and the leaves, flowers and fruit being the end products. The root system that provides nourishment, substance and stability is the core competence.

Prahalad and Hamel (1990) argue that the real sources of advantage are found in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual business units to adapt quickly to changing opportunities. Core competencies are the collective learning in the organisation. Core competence is communication, involvement, and a deep commitment to working across organisational boundaries, involving many levels of people and all functions. Competencies are the glue that binds existing businesses as well as being the engine for new business development and because a core competence should provide a potential access to a wide variety of markets, it should not only make a significant contribution to the perceived customer benefits of the end product but also be difficult for competitors to imitate.

3.6.3 Multicompany Level Strategies

The multicompany level encompasses all strategy content issues with regard to co-operation between two or more organisations. Authors concerned with this level of strategy point out that it is often unclear where a company ends and where the environment begins. They argue that the classic distinction between markets and hierarchies (Williamson, 1975) is inadequate. In their view, a variety of relationships can exist between organisations. The second contested assumption is that the environment is predominantly competitive. Organisations' goals and interests often conflict but even competitors can have a large number of parallel interests that can best be served by co-operation. Therefore, the complexity of multicompany strategy lies in finding the right balance between competing against, and working together with other organisations such as buyers, suppliers, competitors, financiers and government bodies. Reve (1990) identifies four basic strategic expansion paths for firms which he calls downstream vertical integration, upstream vertical integration, horizontal integration, and diversification. Figure 3.16 illustrates those expansion paths graphically.



Source: DeWit & Meyer (1994)

Figure 3.16: Types of Multicompany Strategies

Downstream integration means developing ties of co-ordination with customers, while upstream integration means developing ties of co-ordination with suppliers. Reve (1990)

argues that upstream integration should be considered when input resources are in short supply or require specific adjustments to the firm's production process. Downstream integration should be considered when customers represent the critical factor in a firm's success. Horizontal integration can provide economies of scale or advantages in vertical relationships such as when retailers form voluntary chains to be able to obtain better terms of trade with their suppliers. A firm can integrate horizontally through acquisition, mergers or through joint ventures, but mergers might be opposed by antitrust legislation. Joint ventures are an option when capital resources are limited or the firm is facing other constraints on expansion. Diversification can provide economies of scope when some common skills are shared or utilised jointly.

Hamel, Doz and Prahalad (1989) establish the principle that a collaboration will be successful if each partner can contribute a distinctive capability. Collaboration thus offers the potential for companies to learn from each other while at the same time bearing the risk that a firm's skills or technologies are copied and exploited by a partner.

3.6.4 Two Strategy Content Paradigms

In trying to find an answer to the guiding question of what is a good strategy, a great variety of perspectives can be discussed. De Wit & Meyer (1994) argue that on a fundamental level, most perspectives can be attributed to two major schools of thought: The positioning approach and the resource- or capabilities-based approach.

In the process section, it has been outlined that strategies must be suitable, acceptable and feasible. In short, strategies must provide a competitive advantage and create a fit between the organisation and the environment. The interpretation of the fit with the environment forms the dividing line between the positioning school and the resource-based approach. Both schools of thought share the assumption that some sort of match between the firm and the outside world must be established, but they are divided on how to achieve this fit.

The positioning school, labelled as such by Mintzberg (1990a), emphasises on adapting the company to its environment. Although not entirely denying a firm's ability to influence environmental factors, the basic underlying assumption of this school of thought is that the environment determines to a great extent a firm's freedom to manoeuvre, which means that a good strategy is one that positions the firm within its environment. Because the positioning approach aims to first understand the environment and then position the

firm within it. De Wit & Meyer (1994) have qualified it as an outside-in approach. The resource-based approach looks at the issue of relating the firm to its environment from the opposite direction and is therefore labelled the inside-out perspective.

The resource-based view places most emphasis on adapting the environment to the organisation. The basic underlying assumption here is that the firm can use superior organisational resources and capabilities to change the structure of its industry or the way competition operates. The focus is on the development of distinctive organisational capabilities, a good strategy being one that uses unique capabilities and resources to change industry standards to the advantage of the organisation. The resource-based approach does not deny that organisations have to adapt to the environment on many occasions, but it argues that this adaptation is mainly short-term and reactive, which leads to an inability of the organisation to create its own future.

According to Porter (1985), positioning determines whether a firm's profitability is above or below industry average. The fundamental basis of above-average performance in the long-run is sustainable competitive advantage. Strengths and weaknesses of firms translate into two basic types of competitive advantage: low cost and differentiation. The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments. If companies choose a narrow industry scope, cost leadership and differentiation are termed cost focus and differentiation focus strategies. The notion underlying this concept of strategies is that competitive advantage is at the heart of any strategy, and achieving it requires a firm to make a choice about the type and scope of competitive advantage it wants to attain.

The underlying principles of capabilities-based competition are described by Grant (1991) and Kay (1993): Business processes are the building blocks of corporate strategy rather than products and markets. Competitive success depends on transforming a firm's key processes into strategic capabilities which provide superior value to the customer. Capabilities are created by making strategic investments in a support infrastructure that links and transcends the business functions. Gilbert & Strebel (1989) point out that the traditional strategic approaches of the positioning school do not work because priorities are treated sequentially rather than simultaneously. Using the product-life cycle (see Figure 3.8) as a framework to guide the strategy process means there would be a determined time for innovation, followed later by the development of a complete competitive formula for the market and a strategy for price competition. When these phases have to be implemented in rapid sequence or simultaneously, such as under rapidly changing environmental conditions, a new strategic mind-set is required, one that is less

reliant on dichotomies between moves and more on their compatibility. Rationalisation can for example improve innovation and high value as perceived by the customer. Gilbert & Strebel argue that companies that adopt this strategic mind-set are able to apply it repeatedly in a rapid sequence of complete moves.

3.7 Strategy-making in Not-for-Profit Organisations

The not-for-profit aspect is an important issue to address in relation to this study because it can be expected that typical strategic behaviour patterns for not-for-profit organisations will also be found in the context of the football industry. Newman & Wallender (1978) present a series of organisational characteristics which set not-for-profit organisations apart from other organisations and which impact on managerial behaviour. Those characteristics, presented below, will be used as a framework in order to determine the similarity between football clubs and not-for-profit organisations.

1. Service is intangible and hard to measure. This difficulty is often compounded by the existence of multiple service objectives.
2. Customer influence may be weak. Often the enterprise has a local monopoly, and payments by customers may be a secondary source of funds.
3. Strong employee commitment to professions or to a cause may undermine their allegiance to the organisation.
4. Resource contributors may intrude into internal management - notably fund contributors and government.
5. Restraints on the use of rewards and punishments result from 1-4. above
6. Charismatic leaders and/or the "mystique" of the enterprise may be an important means of resolving conflict in objectives and overcoming restraints.

Thomas (1988) discusses the implications of Newman & Wallender's characteristics for strategy making in not-for-profit organisations. The types of behaviour will provide the basis for interpreting the behaviour of clubs relating to the issue relevant in this context.

1. Goal conflicts restrict rational planning. Without a single goal set to optimise, divergent goals allow employees to undertake many activities in the belief they are contributing to the organisation. Customers have limited influence on goals, as organisation members often believe they know what is best for customers.
2. The focus of planning shifts from the consumer to resource providers. Organisations may actually be able to increase resources at their disposal by redirecting funds from customer service to heavy lobbying and preferential treatment of sponsors.
3. Ambiguous operating objectives create opportunities for goal displacement and internal politics. Ambiguous objectives allow managers considerable leeway in interpreting what

the organisation expects of them. Ambitious managers are often able to manoeuvre organisational actions to develop their own power base or political career.

4. Professionalism simplifies detailed planning but adds rigidity. Professional values, traditions, and codes of ethics simplify the need for planning routine activities, but they also limit the speed at which professionals change behaviour in response to changing social needs or organisational mission.

5. Decentralisation is complicated. Vague missions and objectives make it hard to communicate to subordinates what the organisation is to achieve. Managers must also remain alert to how resource providers view actions. Managers often retain decision-making power in order to avoid actions which outside interest groups might find objectionable.

6. Linking pins for external-internal integration become important. Public relations departments, boundary spanners, and other "buffers" may be established to maintain favourable relationships. This integrating task is especially important where the service is intangible and objectives are multiple and shifting.

Nielsen (1986) has coined a term for a very specific strategic behaviour of not-for-profit organisations: Strategic piggybacking. The term "strategic piggybacking" refers to the development of a new activity for the not-for-profit organisation that would generate the funds needed to make up the difference between revenues and expenses. The new activity is related typically in some manner to the non-profit organisation's mission, but the purpose is to help subsidise the primary service programs. Provan (1984) has identified the concept of organisational linking, which is a major strategy often used by not-for-profit organisations to enhance their capacity to serve clients or to acquire resources. It involves developing co-operative ties with other organisations. Table 3.2 summarises these characteristics in the framework which will be used in the analysis and interpretation steps of this project.

The Not-for-Profit Perspective
<ul style="list-style-type: none">- Goal conflicts restrict planning- Occurrence of goal displacement and internal politics- Professionalism limits strategic change- Focus shift from customers to resource providers- Strategic Piggybacking- Organisational Linking

Table 3.2: Characteristics of Strategy-making in Not-for-Profit Organisations

3.8 The Small Business Dimension

Higgins & Vincze (1993) define a small business according to the criteria set out by the US small business administration: A small business cannot dominate its industry, it must have less than \$10m in annual sales, and it must have fewer than 100 employees. The annual sales figure of \$10m would correspond to a £ value of approximately £6m (taking a \$ exchange rate of \$1.65 to £1). For the purposes of this project, it was decided that the maximum annual sales figure of the organisations under investigation would be limited to £5m.

Many authors (Lee, 1994; Rice & Hamilton, 1979; Rice, 1983; Kokkinis, 1995) have presented evidence that small businesses do not seem to use the strategic planning approach. Formal strategic planning was seen as either too ambitious or inappropriate for the small business context. Mintzberg (1994) argues that the more formalised versions of the strategic planning approach will meet considerable resistance in small firms, because they get in the way of the informal management processes typical for these organisations. Thomas (1988) observes that small businesses tend to have a smaller product mix, operate in a limited geographical area, have more direct contact with employees and customers as well as having to cope with limited financial, managerial and staff resources. Lee (1994) also points to the lack of human and material resources as major constraints on the strategy-making ability of small businesses, but she adds that small firms also have less influence in their market and are often affected by policies of larger firms.

According to Robinson (1979), small business management has minimal time, resources and skills to engage in sophisticated forecasting. Lack of time as a constraint is also mentioned by Unni (1981). On the issue of skills, Lee (1994) and Wheelen & Hunger (1990) remark that small business managers often lack formal management education and are therefore not able to use the methods described by the strategic planning approach. Lee (1994) also remarks that due to the specific environmental conditions small businesses are facing, managers are often unconvinced of the value of strategic planning techniques as the immediate benefit of formal approaches is difficult to demonstrate. Welsh & White (1981) also consider the inferior market position of small firms when they argue that resource poverty leads to a relative inability of the small firm to withstand certain external pressures that a larger firm may be able to overcome.

Rice (1983) is of the opinion that small businesses do not need to use formal scanning and analytical methods because they can more easily obtain accurate information about

environmental conditions such as customer preferences, growth plans, demographic shifts, and financial resources. For Rice it seems likely that much of the sophisticated methodology used by large companies is aimed at generating information which small businessmen have readily at hand.

Another feature of the small business environment is that managers often carry out multiple functions and struggle for day-to-day survival requires all their attention. According to Unni (1981) and Golde (1964), this behaviour leads to a tendency of small business planning to be focused on the short-run. Birley (1988) points out that success in a small firm often simply means survival and much of this success is often a function of luck rather than strategic planning.

According to Mintzberg (1979), the design school is of most use in small firms. Small firms are often characterised by simple organisational structures, with short communication lines from top to bottom. Their focus tends to be on a limited number of products or services and they face a less diverse and complex environment than the large diversified firm. Consequently, cognitive limitations do not necessarily preclude comprehensive planning, and top-down implementation is possible. In many small firms the design-school planning model also has normative validity as these organisations are managed top-down anyway. Still (1974) describes small business planning behaviour as unstructured, irregular, and incomprehensive. Cooper (1977) echoes this view when he describes small business strategy-making as incremental, sporadic, and reactive.

According to Robinson (1979), decision-making in small firms is likely to be characterised by intuitive, "seat-of-the-pants" speculation, based on the owner's experience at dealing with the present, operational issues. Rice (1983) concludes that small firms do carry out strategic planning, but in most cases it is conducted in a very informal, fragmented, incremental and heuristic manner. Gilmore (1971) stresses that as a consequence of the lack of resources, financial analysis is an important basis for strategy-making. Welsh & White (1981) argue that a reflection of the short-run orientation of small business planning is a focus on liquidity rather than on profit and loss. Golde (1964), in suggesting that small businessmen should develop a habit of questioning and seeking information even "if it is nothing more than picking up the phone and talking to a few friends in the industry", advocates a process of a more informal nature. Rice's research indicates that managers were in fact information conscious and that information gathering was apart from personnel problems the second most important area of operating decisions. Table 3.3 provides a summary of the above outlined characteristics.

The Small Business Perspective
<ul style="list-style-type: none"> - Informal, incremental, unstructured, irregular process - Lack of formal analysis - Importance of Financial Issues - Short-term focus - Inability to cope with external pressures - Lack of time for planning - Success is due to luck rather than planning

Table 3.3: Characteristics of Strategy-making in Small Businesses

Thompson & Strickland (1995) propose a series of strategies for "runner-up" firms and thereby put forward the argument that small firms will also have a different strategy content than their larger counterparts. The proposed strategies are as follows:

1. Vacant-niche strategy - This version of a focused strategy involves concentrating on customer or end-use applications that market leaders have bypassed or neglected.
2. Specialist strategy - A specialist strategy firm concentrates its competitive effort on one market segment: a single product, a particular end use, or buyers with special needs. The aim is to build competitive advantage through product uniqueness, expertise in special-purpose products, or specialised customer services.
3. Ours-is-better-than-theirs strategy - The approach here is to use a differentiation-based focused strategy keyed to superior product quality or unique attributes. Sales and marketing efforts are aimed directly at quality-conscious and performance orientated buyers. Fine craftsmanship, prestige quality, frequent product innovations, and/or close contact with customers to solicit their input in developing a better product usually support this "superior product" approach.
4. Content-follower strategy - follower firms deliberately refrain from initiating trendsetting strategic moves and from aggressive attempts to steal customers away from the leaders. Followers prefer approaches that will not provoke competitive retaliation, often opting for focus and differentiation strategies that keep them out of the leaders' paths.
5. Growth-via-acquisition strategy - One way to strengthen a company's position is to merge with or acquire weaker rivals to form an enterprise that has more competitive strength and a larger share of the market.

6. Distinctive-image strategy - Some runner-up companies build their strategies around ways to make themselves stand out from competitors. A variety of strategic approaches can be used: creating a reputation for charging the lowest prices, providing prestige quality at a good price, going all out to give superior customer service, designing unique product attributes, being a leader in new product introduction, or devising unusually creative advertising.

3.9 Summary and Research Questions

3.9.1 Summary

The aim of this chapter has been to provide an in-depth understanding of the focal point of this project, the concept of strategy. As a starting point, strategy process, content, and context have been identified as the dimensions of strategy. The process dimension is concerned with the way strategies come about, the content dimension is concerned with the output of the strategy process and the context dimension is concerned with the set of circumstances under which both process and content are determined. Another important distinction has been made between strategies for different organisational levels. Corporate strategy considers strategic issues for the company as a whole, business strategy is concerned with gaining competitive advantage in a individual business and functional strategy refers to strategies for specific functional units within a business. The multicompany strategy level is about strategies which are made for groups of companies.

Organisational values define a company's sense of identity and purpose, which provides the foundation for its strategy. This strategic vision can manifest itself in a variety of ways, as can be seen by the different perspectives on the process dimension of strategy which can be distinguished. Process perspectives differ between approaches which have a proactive, rational and planned character and approaches which have more reactive, cultural and political characteristics. Strategy can be deliberately formulated as part of a planning process of an organisation or be associated more personally with the owner-founder of a firm. The strategic vision can be related to entrepreneurial intuition and be a product of innovative management or be embedded in a company's history or culture.

Strategy contents, or outputs of the strategy process, have been addressed at individual strategy levels. Business level strategies are concerned with establishing competitive advantage in a particular business. Cost advantage and differentiation advantage have been identified as the two basic types of competitive advantage. Cost advantage is concerned with the cost position of a firm in respect to its competitors. A number of factors which determine a firm's cost position have been identified and their potential for providing cost advantage has been explored. Differentiation advantage can be derived from every aspect of the way in which a company does business and relates to its customers, with tangible

aspects of differentiation relating to observable aspects of a product or service and intangible aspects relating to the value perceived by the customer which can not be physically seen. Corporate level strategies are concerned with determining what businesses an organisation should be in and how the collection of different businesses should be managed. Three distinct approaches to corporate strategy, the portfolio approach, the linkages approach and the core competence approach, have been identified. The portfolio approach is based on the BCG matrix logic, the linkages approach is based on creating linkages between businesses by transferring skills or sharing activities and the core competence approach represents a belief in an organisation's core capability as the basis for competitive advantage in different businesses. The multicompany strategies presented include downstream and upstream vertical integration, horizontal integration and diversification. Downstream integration aims to develop ties with customers, upstream integration aims to develop ties with suppliers, horizontal integration aims to develop ties with competitors and diversification aims to develop ties with unrelated companies. The strategy context can be divided into the external and internal environments of an organisation. At the corporate level, external environmental analysis involves determining the attractiveness of different industries in terms of future profit potential. At the business level, an understanding of competition within an industry and an understanding of customers' needs and motivations is essential to establishing competitive advantage. The internal environment, a firm's resources and capabilities, can be the principal basis for strategy and the primary determinant of profitability.

Finally, two specific contextual conditions , the not-for-profit and small business dimensions, have been outlined in more detail due to their perceived relevance to this investigation. Strategy making in not-for-profit organisations displays a number of specific aspects, most of which are concerned with the nature of strategic choices and the more political aspects related to the strategy process. Strategy-making in small businesses has been described as having a much more informal, incremental and fragmented character, while still being rational and deliberate unless environmental forces heavily constrain strategy-making ability.

3.9.2 Research Questions

As a result of the theoretical investigation, the research topic has been introduced, the originality of this work has been asserted and the concepts under investigation have been defined. It is now possible to clearly formulate a set of research questions which will guide the data collection, analysis and interpretation stages. The starting point of this investigation was the notion that small football clubs find strategy-making difficult and subsequently, the main research question for this study has been formulated as:

Why do small clubs have difficulties making strategies ?

On the basis of the theoretical investigation, this question can be decomposed into a number of subquestions. Following the distinction between the strategy dimensions of process, content, context, and the identification of organisational values as the starting point of strategy-making, the five research sub-questions have been formulated as follows:

- What strategy-making processes can be observed?
- What types of strategies are clubs making, and at which organisational levels?
- How do organisational values impact on the process and the adopted strategies?
- How does the industry environment impact on the process and the adopted strategies?
- How does the internal club environment impact on the process and the adopted strategies?

In order to answer the above formulated research questions, it is necessary to collect data from the football industry environment and from small professional football clubs themselves. At the industry level, data has to be collected to establish how the industry operates. At the club level, data has to be collected on club values and objectives, on the structure of clubs, their resources and capabilities, on the processes by which strategies are made, and on the strategic choices made by clubs. The most useful methods to gather the required data, as well as the procedures for data analysis and interpretation will be discussed next.

Chapter 4

Methodology

4.1 Introduction

In the previous chapter, the focus of this investigation has been defined as identifying the reason or reasons why small football clubs have difficulties in making strategies. An inquiry into this question requires the study of the strategy-making processes of clubs, the variety of courses of action adopted by clubs, clubs' goals and values, the pressures and influences originating in the external club environment as well as a consideration of the particular nature of a football club as an organisation.

Despite the considerable volume of descriptive information which is available on the football industry, the specific information required for the purposes of this study has not been found in the literature. Due to the complex nature of the concept of strategy and the many different views about its nature, it should be attempted to capture as broad and as rich a view as possible of the phenomenon within the small football club context.

It was decided to collect the necessary information through personal interviews with the main decision-makers at the clubs. Board members from twenty different Football League clubs were sampled and the interview was conducted using an interview guide which was developed from the research sub-questions. The data was then categorised according to an analytic framework, which also observed the main distinctions made in the research sub-questions between organisational mission and values, the strategy process, process outcomes and internal and external environmental influence factors. Finally, the analysed data was interpreted according to a set of theoretical frameworks which were derived from the strategy section of the research literature. The interpretation forms the basis from which the questions of this investigation are answered and the implications of the results for theorists and practitioners are discussed.

This chapter outlines in more detail the above described research process and discusses the relevant methodological issues for each of the individual process steps. The first part of the

chapter takes issue with the methods used for data collection, followed by concerns related to data analysis and interpretation.

4.2 Data Collection

Following the chronology of the research process, this section describes all activities related to the data collection for this study. As starting point, it was decided that the interview method was the most effective way to collect the data under the given circumstances and football club chairmen were identified as the main source of data, with any available secondary data from the clubs themselves or other sources from the wider industry background serving as a supplement. The next step was to define an adequate sample size and selecting a sample. The practical elements of the process involved getting access to the chosen individuals in the case organisations, conducting the interview itself.

4.2.1 The Interview Method as Main Research Tool

It was decided that the interview method was the most appropriate technique to collect the main body of data for this investigation. In the previous chapter, it has been argued that the study of strategy involves a focus on the process which leads to a certain type of behaviour, the patterns of action which result from the process and the influence of environmental forces which surround an organisation and exist within it. As such, it can be argued that a study of strategy should aim to reach the “*lebenswelt*” of the informants and gain a “practical” understanding of meanings and actions. This makes the qualitative research interview especially suited for the purposes of this study because it allows to focus on the meaning of particular phenomena to participants and on accounts of how these phenomena developed.

An alternative to an interview-based study would have been the technique of participant observation (Foster, 1996). Practically, this would mean attending board meetings, following decision-making processes, following the development and implementation of courses of action and collecting the views of all process actors on their motivations for actions and their interpretation of influencing factors over a number of years. Such a prolonged immersion in the football club setting could not be attempted for this study for

the following reasons: The vast amount of data to be collected could not be handled by a single researcher. A prolonged immersion in the small football club setting was deemed infeasible due to time constraints and a lack of financial resources which would be required for additional travel and accommodation. Following a pre-data collection study of industry conditions it was further concluded that this type of unlimited access to the internal workings of those organisations would not be tolerated and be seen as an unwelcome intrusion.

Alternative survey methods would have consisted of mail questionnaires, telephone interviews and personal interviews (Frankfort-Nachmias & Nachmias, 1996). The mail questionnaire and the telephone interview are rather impersonal survey methods and due to the sensitive nature of the phenomenon under study, strategy being sensitive due to its importance for the future development and survival of organisations, they are considered inappropriate as tools to gather the required data. Aside from the sensitivity of the topic of investigation, it was thought that the variety of possible perspectives on the concept of strategy could not be adequately accounted for by a mail questionnaire, which would either have a predetermined set of answers or if an open response had been included, the data set could have been compromised by an interpretation of questions. It was also concluded that mail questionnaires would only have yielded a very low response rate because a study of the industry conditions previous to the data collection revealed that the potential respondents, football club decision makers, have in many cases a variety of other business interests and would therefore be hard to access and have very busy schedules to follow. The telephone interview was considered as an option to gather missing information after the personal interview had been conducted, should that be required.

This study can thus be characterised as being exploratory in nature and according to Tesch's (1990) categorisation of qualitative research types, it combines phenomenological as well as interpretivist aspects as it is attempted to understand the strategy concept from the clubs under investigation and the strategic behaviour of clubs is interpreted within a more theoretical framework of strategy.

4.2.2 Sources of Data

After it was concluded that the research data should mainly be collected through qualitative interviews, football club chairmen were identified as the ideal source of data for the study's purposes as they would be at the centre of decision-making processes at clubs. The interviews represent the primary data source and provided the basis for the research conclusions. There was also a considerable amount of documentary or secondary data available on football club activities and the industry in general. Documentary data was mainly used to get an understanding of industry conditions prior to the interview survey as well as to support the findings where it was deemed appropriate.

4.2.2.1 Football Club Chairmen

On the issue of whose views should be surveyed within the club environment, it was concluded that board level decision-makers, or more precisely the club chairman himself, should be targeted as participants of the interview survey. This decision was based on the understanding that the chairman of a club would not only be best informed about the internal workings of his particular club, but would also have the most knowledge about the concept of strategy as it is an issue which concerns an organisation as a whole. In a study of strategy it is furthermore essential to capture how environmental influence factors are perceived by those individuals at the heart of a club's decision-making processes and what points of view and belief sets are underlying the strategic behaviour of clubs.

A preliminary study of industry conditions had revealed that club chairmen are often very busy business people with numerous commitments. It was therefore decided to specifically limit the interview offer to the club chairmen themselves as it was thought that if other senior managers or board members of clubs had been put forward as possible alternatives in advance, many chairmen would have used this option and delegated the interview to another organisational member. The risk of such a development would have been that the views of the key people in the strategy process would not have been sampled. In the event, another board member was only accepted as an alternative survey participant if this was offered by the case organisations.

It has additionally been assumed that the limitation to the club chairman as the main source for interview data would be sufficient to capture a representative view of a particular club because the surveyed clubs are small organisations with a relatively small number of

managerial staff and a basic convergence of views can be expected. It was thought to be doubtful that additional interviews with other individuals within the club environment would generate additional information and it was further assumed that attempting to conduct a greater number of interviews might be met with resistance from these organisations and result in a possible refusal of access.

More interviews at one club would also have required a longer stay in those environments and these additional expenses could not have been allocated within the research budget.

4.2.2.2 Secondary Data

Whenever possible, this research has been supplemented by documents provided by the clubs in addition to the research interview. Club-internal strategy documents of any kind such as written mission statements or any other written plans as well as any literature concerned with the business side of football and any media report taking issue with past, present or future industry conditions were considered to be relevant. In the case of this project, four clubs provided detailed accounts and two others written strategy documents. Secondary data collected from club external sources included statistical and financial data as published by institutions involved in the industry and industry analysts (The Football Trust : Digest of Football Statistics, 1995 - Deloitte & Touche, 1994, 1995, 1996, 1997, 1998). Additionally, all the major newspapers provide regular comments about relevant issues of the industry, there are a number of published books which focus on the workings of football and occasionally, investigative television programmes present studies of the industry.

According to Finnegan (1996), the recognised problem with the use of secondary data is how to assess the information which is conveyed. To assess a data source effectively one should know how the data was collected and by whom. It must also be clear at what audience or purpose a particular source is directed. These factors have been considered when the data was analysed and interpreted but as the documentary data sources were only used to gain a broad understanding of the industry under study or as a support for statements made by interviewees, this issue was of no significant importance in this case.

4.2.3 Sample Size & Sample Selection

The basic consideration for the sample size was whether to aim for a large number of cases with a less detailed study of each individual case or for a small number of cases and a more in-depth study of each. The decision was taken to sample as broad a number of clubs as possible because this would allow to capture a greater variety of views on the concept of strategy within the small football club context as it was argued in the previous part that a representative view from any particular club could be gained from a single interview with the club chairman. Furthermore, a bigger sample does also provide more credibility to the claim of generalisability of the study results to the entire population.

The basic approach to sampling was thus to accept as many clubs as possible because more clubs provide more information, a potentially greater variety of points of view and subsequently a wider base from which the phenomenon can be characterised. This form of "opportunity sampling" (Schofield, 1996) was also thought to be the most appropriate because no valid criteria for the selection of a particular sample could be provided before this research was carried out.

The population for this study has been defined as all small professional football clubs in Britain which are members of the Football League. Using the definitions of small businesses presented in chapter three, a small professional football club is one that does not play in the highest division and has a maximum of £5m in annual turnover.

To identify the elements of this research, the Rothman's Football Yearbook for the 96/97 season, containing league positions, club addresses and names of board members, was used as a sampling frame. For the turnover figures, a three-year turnover average was calculated, based on football industry accounts published by the accountants Deloitte & Touche (1994 - 1996). Out of the 92 professional football clubs in England and Wales, 66 could be characterised as small under the above-described conditions. From this population, 4 clubs had to be excluded; one club had much publicised internal political problems at the time this research took place, another had been relegated from the Football League and could no longer be regarded as professional, and two had been promoted to the Premier League. Altogether, 62 clubs were initially contacted to participate in this study. A specimen of the initial contact letter as well as a list of the population can be found in the appendices.

The sample for this study consisted of 20 Football League clubs. This corresponds to a response rate of 32% (20/62). The following figure 4.1 illustrates the distribution of the sample throughout the divisions of the Football League:

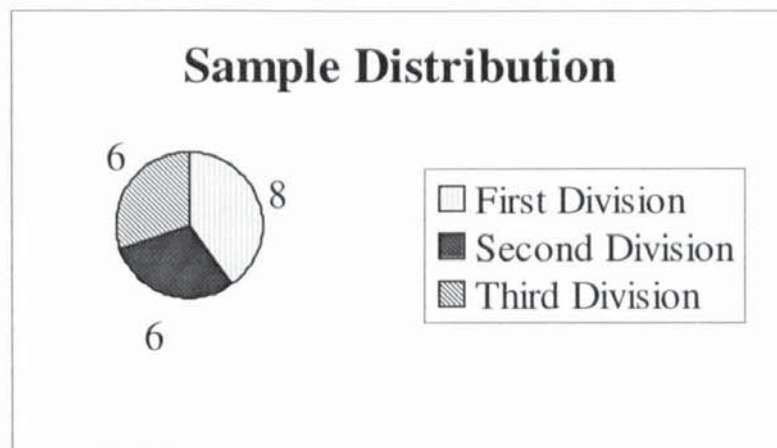


Figure 4.1: Distribution of the Sample

4.2.4 Obtaining Access

A preliminary study of the research environment has revealed that obtaining access to the participants would be problematic because many have other business interests aside from the football club and would have very little time to participate in the interview survey. The approach which was deemed to be the most successful was to contact football clubs, specifically asking the chairmen of the board of directors to take part in a one hour long interview. All the football clubs in the sample frame were sent an initial contact letter, followed by a second letter 4-6 weeks later if no response had been received. This letter was followed by telephone calls. Very few chairmen decided to take part in the project as a result of the letters and the telephone calls proved very fruitful in recruiting participants for the study. This process also showed the difficulty of getting in touch with football club chairmen; in some cases it took up to six attempts to actually get to speak to them. In the event, of the 20 board members who agreed to take part in this project, 16 had the position of chairman of the board, 3 were managing directors and one occupied the position of associate director; all the individuals had spent a minimum of three years on the board of directors. All the interviews were conducted by the author of this research.

4.2.5 Conducting the Research Interview

The type of interview which has been used for the study essentially adheres to a qualitative research interview, but at the same time bears some elements of a structured open-response interview. The personal interview is a face-to-face, interpersonal role situation. The interviewer asks respondents questions designed to elicit answers relating to the research questions. Interview methods vary in their structure; highly structured methods use interview schedules which assure that all interviewees get asked the same questions in the same order. Questions in highly structured interviews tend to be closed-ended. This means that respondents are offered a set of answers and asked to choose the one that most closely represents their views. Wilson (1996) points out that a downside of closed-ended questions is that the respondents' answers are constrained to a set of predetermined answer categories and that the "real" opinions might not be correctly represented. In the context of this study, a descriptive account of the topic is required without formal hypothesis testing, but there is uncertainty about what and how much information participants will be able to provide and where the nature and range of the participants' likely opinions about the research topic are not well known in advance and cannot easily be quantified. Under such conditions, closed-ended questions were deemed to be inappropriate to gather the required data and a less-structured method of interviewing has been adopted.

The decision to adopt a less-structured method has also taken into account that respondents occupied positions of responsibility in their organisations and would therefore be able communicators and be used to interview situations. As a result they would respond well to inquiries about broad areas of content and to a high proportion of intelligent, open-ended questions that allow them the freedom to use their knowledge and imagination.

A disadvantage in interviewing individuals in positions of responsibility is that the interviewer may have to adapt the planned-for structure of the interview, based on the wishes and predilections of the person interviewed. Organisational leaders are typically quite savvy and may resent the restrictions of narrow or ill-phrased questions. Well practised in meeting the public, such a person may turn the interview around, thereby taking charge of it. In order to ensure that the questions posed to each participant were consistent across all the cases and as a measure to keep control over the broad structure of

interview topics, an interview guide has been developed, which is presented in more detail in the following part.

4.2.5 1 The Interview Guide

Because the qualitative research interview is not based on a formal schedule of questions to be asked word-for-word in a set order, it uses an interview guide, listing topics which the interviewer would like to cover in the course of the interview.

The interview guide used in this study has used the research sub-questions as a starting point and has been further developed after a study of press reports and books on the industry, an informative visit to the Sir Norman Chester Centre for Football Research at Leicester University and a pilot interview with a club chairman. Because the interview schedule was not considerably amended after the pilot interview and because the nature of the industry is such that there is only a very limited number of possible cases, it was decided to allow the club which served as a pilot to be part of the actual sample.

The guide was divided into five main sections. The first section served as an introduction and was concerned with the position of the respondents at the club and with some elements of their personal background. The second section introduced the topic of the investigation, the issue of strategy. As a starting point, questions were asked relating to the mission of clubs, their objectives and the plans they make, followed by questions addressing the character of processes and the nature of the involvement of process actors. The third section follows on with a set of questions concerned more with the strategy development steps of the strategy process and the nature of decision-making. Section four was aimed at generating data on the nature of influences of the various stakeholder groups of clubs. Stakeholders were identified on the basis of a stakeholder map which has been compiled in chapter two on the basis of the football literature. In practice, many issues relating to stakeholder groups had been addressed during the previous two sections, but by giving the participants the opportunity to talk about each stakeholder group individually, earlier data was enriched, new elements were allowed to emerge and a consistency in the issues considered by each participant was ensured. The final section five had the function to provide respondents with an opportunity to consider the previously discussed issues from a more general perspective as well as giving the opportunity to address any issue of relevance not covered by the interview guide. The

following figure 4.2 provides a more detailed overview of the sections in the interview guide. A complete specimen of the interview guide can be found in the appendices.

Interview Guide Summary	
<i>Section 1</i>	<ul style="list-style-type: none"> - What is your position at the club ? - How long have you been with the club ? - Do you have any other occupation at the moment ?
<i>Section 2</i>	<ul style="list-style-type: none"> - When are long-term issues addressed ? - Who is generally involved in that process ? - What is the mission of the club ? - What plans do exist ? - How explicit is the mission ? - Do you have formal strategy meetings ? - How is the range of club activities determined ? - If not, why don't you produce written plans/ mission statements ? - How far ahead can you plan ? - What information is gathered ? - Which sources are consulted ? - If not through formal planning, how else is the future anticipated ?
<i>Section 3</i>	<ul style="list-style-type: none"> - Who at the club is involved in developing strategies or options ? - How are you made aware of alternative options ? - How exactly do courses of action come about ? - Who takes part in discussing developed options ? - Who takes the final decision ? - What are the guidelines for the evaluation and selection of options ? - How are environmental pressures perceived ?
<i>Section 4</i>	<ul style="list-style-type: none"> - How does the nature of the club influence your actions ? - How does strategy-making in a club compare with other businesses ? - How do outside influences affect your planning activities ? - How do these groups influence club activities ? <ul style="list-style-type: none"> Shareholders Supporters Sponsors & Advertisers The Media Football League Other Clubs Other Businesses Government International Issues - How is this influence exerted ? Direct/Indirect ? - What conflicts exist ?
<i>Section 5</i>	<ul style="list-style-type: none"> - What problems to you have with long-term planning ? - How are they addressed ? - Anything you would like to add ?

Figure 4.2: Interview Guide Summary

4.2.5.2 Tape Recording & Transcription

The interviews conducted as part of this project were tape recorded and fully transcribed by the author. In order to observe the confidentiality, reference to club names or people have been removed from the transcripts and all the sample clubs have been numbered in order to preserve their anonymity when interview quotes are presented in the analysis chapter. Club numbers 1-8 are First Division clubs; club numbers 9-14 are Second Division clubs and club numbers 15-20 are Third Division clubs.

4.3 Data Analysis

Data analysis and interpretation are the two steps in the research process which aim to generate meaning from the collected data. According to Kvale (1996), this process of describing and interpreting is continuous, although the terms analysis and interpretation can be conceptually differentiated. Robson and Foster (1989) define data analysis as the sorting of information and interpretation as the meaning or understanding behind the presented data.

The analysis process in this current study started with a thorough reading of the transcribed interviews in order to get acquainted with the data. The next step was to develop an analytical framework. For this, a cognitive map of the internal and external environment of professional football clubs was compiled from published industry data and the interview data itself. This cognitive map was used as the basis for the analysis framework, which also took into account the broad distinctions suggested by the literature review. The data has initially been coded according to the particular themes identified by the analysis framework. From those broad categories, the data has been further categorised according to particular themes which have emerged from it. The strategy literature has served as a broad guideline for the data analysis and where appropriate, the data has been basically distinguished as either providing an understanding of the strategy-making process itself, as an adopted course of action or as outlining the nature of an environmental influence on the strategy-making process or content. The organisational chart of football club operations which has been used as an analytic framework for the purposes of this study is represented in figure 4.3.

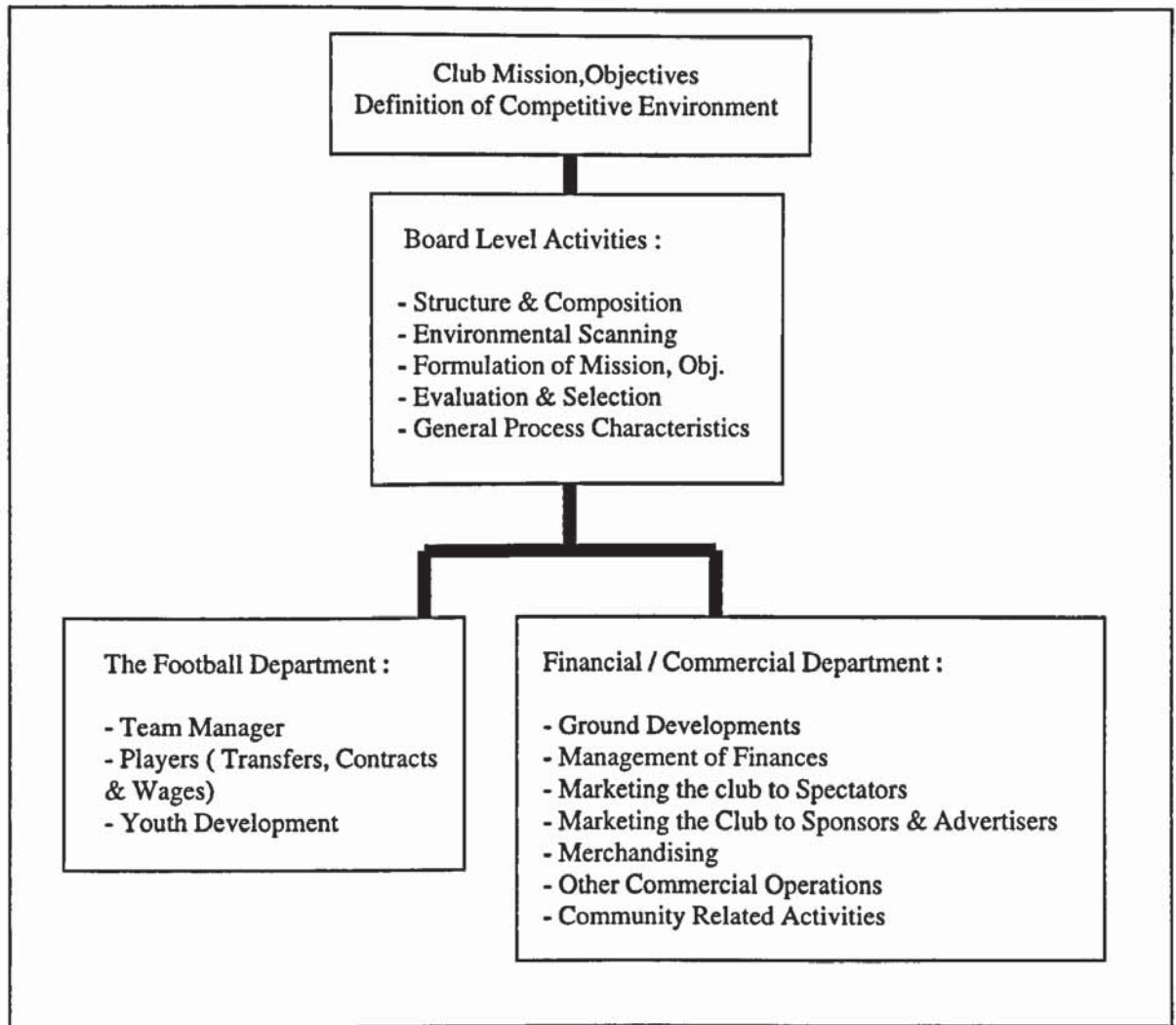


Figure 4.3: The Analytical Framework

The analytic methods in this project have varied according to the issues under investigation and in many ways methods have been chosen on an ad hoc basis. The interview data has generally been condensed, categorised into tables in parts and sometimes interpreted within the interviewee's context. For each section of the analysis, relevant quotes were selected from the interview transcripts and presented in order to clearly illustrate the findings.

4.4 Data Interpretation

With the ultimate aim of this research being to reflect on the concept of strategy in the light of the research results, the framework for interpretation is provided entirely by the theoretical context for this study, fully outlined in chapter three. This choice of frameworks ensures that the process of analysis and interpretation evolves from the more concrete to the more abstract with the interpretation framework providing the basis for drawing conclusions and answering the research questions of the study. For the interpretation stage of the project a number of frameworks have been used. The strategy process and content frameworks have been amalgamated from current literature in the strategic management field. Additionally, two other frameworks have been used, each of which relates to a specific characteristic of the organisations under investigation. The first of these frameworks is concerned with strategy-making in a small business context and the second framework is concerned with strategy-making in not-for-profit organisations. The figures 4.4 to 4.7 give a graphic overview of the interpretative frameworks used for this study.

Strategy Process Perspectives		
Strategic Planning	Design School	Logical Incrementalism
<ul style="list-style-type: none"> - Linear sequence of discrete steps (analysis, formulation, selection, implementation) - Standardised planning procedures - Planning departments - Systematic data collection and analysis - Use of analytic and evaluative tools to determine best option - Complex process - Top management activity - Lower level management only gathers information - Explicit plans 	<ul style="list-style-type: none"> - Strategy making by the dominant leader - Simple and informal process - Separate steps of formulation and implementation - Explicit plans required to be communicated - Lower level managers gather information 	<ul style="list-style-type: none"> - Constant scanning of the environment - On-going adjustment of strategy - Small scale trial & error approach - Overall strategy emerges from partial subsystem strategies - Intuitive decision making - Lack of analytical information to assist decision making - Decision making is influenced by unexpected events - Formulation and Implementation are interlinked
Disjointed Incrementalism	The Interpretive Approach	Enforced Strategy
<ul style="list-style-type: none"> - Organisations are social networks rather than hierarchies - Issues are "sensed" by individuals - Information collection occurs informally, unstructured and verbally - Debate and discussion are used to generate solutions, managers draw on their experience, formal analysis is just complementary - Process phases are strongly interlinked, strategies emerge as outcome of managerial experience in social, political and cultural contexts 	<ul style="list-style-type: none"> - Strategies are the outcome of organisational assumptions and organisational routines, expressed in the organisational paradigm - Development is gradual, not radical - Innovation tends to take place outside the paradigm - Internal problems can be seen as givens 	<ul style="list-style-type: none"> - Powerful outside agencies impose a strategic choice - Environmental conditions strongly influence operating environments. - Firms only buffer themselves against or respond to environmental changes

Figure 4.4: The Interpretive Framework – Strategy Process

The Strategy Content			
Operational/ Functional level	Business level	Corporate level	Multicompany level
- Strategies for the various organisational functions or for operational environments	Positioning Approach: - cost leadership - differentiation - cost focus - differentiation focus Resource-based Approach: - Architecture - Reputation - Strategic Assets - Innovation	Portfolio Approach: - stars - question marks - cash cows - dogs Linkages Approach: - skills transfer - sharing of activities Core Competence Approach: - core capabilities as basis for activities	- Vertical Integration (upwards & downwards) - Horizontal Integration - Diversification
Alternative approaches: - Copycat strategy, "follow-the-leader" strategy			

Figure 4.5: The Interpretative Framework – Strategy Content

The Not-for-Profit Perspective
<ul style="list-style-type: none"> - Goal conflicts restrict planning - Occurrence of goal displacement and internal politics - Professionalism limits strategic change - Focus shift from customers to resource providers - Strategic Piggybacking - Organisational Linking

Figure 4.6: The Interpretative Framework – The Not-for-Profit Perspective

The Small Business Perspective
<ul style="list-style-type: none"> - Informal, incremental, unstructured, irregular process - Lack of formal analysis - Importance of Financial Issues - Short-term focus - Inability to cope with external pressures - Lack of time for planning - Success is due to luck rather than planning

Figure 4.7: The Interpretative Framework – The Small Business Perspective

The aim of the interpretation process is to go beyond the understanding of the research participants and the task of achieving a theoretical level of interpretation has been achieved through the application of the findings in the analysis chapter to the theoretical frameworks derived from the research literature. The interpretation has mainly been focused on the content of the statements made by the research participants, but since the interviewees in this study have been informants as well as actors in the strategy process, the relations of the participants to the observed phenomenon was considered where this was found to be appropriate.

4.5 Summary

In this chapter the research methods adopted for the purposes of this study have been outlined. The aim of the project is to provide a well-grounded, rich description of strategy-making in the context of small professional football clubs. The interview method was selected as the most appropriate technique to gather the required data. The chairmen of clubs were identified as the main source of data. The interview data was complemented by documentary data provided by clubs and other sources from within the industry. Next, the decision-process on the size of the sample was described, followed by the sample selection. The practical steps of the research process involved negotiating access to the individuals in the case organisations and conducting the interview itself. In particular, the process of developing the interview guide has been elaborated. In the final sections of the chapter, the analytic and interpretive frameworks have been presented.

Preliminary Data Analysis

5.1 Introduction

This chapter presents the analysis of the interview survey of club chairmen and the documentary data collected from football clubs and other sources in the football industry. In order to present a coherent account of the strategy-making behaviour of clubs, the data has been categorised according to the main activity areas of clubs, as outlined by the analytic framework (figure 4.2). For each individual activity, the views and behaviour of the sample clubs will be presented along with data outlining the internal and/or external environmental factors which influence the observed behaviour. The presented data has been categorised into four main groups: First, the mission of clubs, their objectives and their definition of their competitive environment is considered. The second category is concerned with the “football department” of clubs, which involves issues relating to the choice of team manager, the players and youth development. The third category provides data on all other significant club activities, which are ground developments, marketing the club to spectators, marketing the club to sponsors and advertisers, merchandising, other commercial activities, community related activities and management of finances. The last category is concerned with issues relating to board level decision-making.

5.2 Mission, Objectives and the Competitive Environment

As a starting point of this comprehensive analysis of the strategy-making behaviour of the sample clubs, the collected views on the purpose of clubs, their main objectives and more general views on the competitive environment will be presented. The first set of interview extracts focuses on the mission of clubs:

Club 9: “Your product is your football.”

Club 15: “ Our idea is to provide the best football that we can for the people in our community. ”

Club 10: ” I mean we do have a long-term mission statement, and a long-term goal and a long-term plan which is to, from my point of view, to change the nature of this business fundamentally, which is from pure football, which is what we are, into a multi-leisure company. “

Club 17: “ We have an overall agenda that is long-term in a sense that you have to make sure that the playing staff and the sub-structure are there to support top quality football. ”

Club 3: ” Our policies and aims are to take pride and responsibility in everything that we do and to also outwardly demonstrate our desire to compete, achieve and win. We must continually improve our level of care and service offered to supporters. Youth Development, to invest a disproportionate amount of time, effort and money to get this right. To build a commercial department that generates revenue at an altogether more advanced level, to aid and enhance our club aspirations in the years ahead. “

Club 5: “ The mission as such is that we are always in the pursuit of excellence and trying to get it right. ”

Club 12: “ As long as you produce the goods on the field, you are really a PR company which has football as a backdrop. It is our job to promote our sponsors because we are their representatives, football is just a backdrop. ”

The fundamental reason for existence of a professional football club is to stage football matches against other clubs. It can be deduced from the interview data that the purpose of a club is the provision of football. This statement would be correct for all the sample clubs and the vast majority has defined their purpose in these terms. A small number of clubs see their purpose as being more than just the provision of football; they have the aim to expand their operations considerably into the provision of other leisure facilities and subsequently view themselves not only as football clubs, but more as leisure providers. Some clubs made statements of a more cultural character, referring more to their underlying values. The talk is of pride and responsibility in all actions, thriving for continuous improvement and pursuit of excellence. Even though these kinds of statements are still vague in nature, they refer more to a way of behaviour rather than to goals which are hoped to be achieved. One club chairman took issue with the public nature of professional football by seeing the purpose of his club as a tool in the marketing of products.

The next part of this section provides data on the specific objectives of clubs, starting with a selection of interview extracts on the topic of sporting objectives:

Club 17: " We have a long-term objective, which is to get to and remain in the First Division. "

Club 18: " The mission is to get promotion, it is as simple as that. "

Club 12: " Our aim is to be in the Premier League. "

Club 6: " What we want to achieve is Premier League status, so we have a simple plan, that's to get promoted."

Club 11: " Objective to produce a business that is capable of supporting structurally and financially a First Division football team. "

Club 15: " We feel whilst we may not be able to support a Premiership club in the town, we should certainly be able to support a First Division club. "

Club 2: " Our mission is to retain our Football League status. "

Club 3: " Our key purpose and mission is to recapture our position in the Premiership at the earliest opportunity. By the year 2000 we intend to have a team that can mount a sustained challenge for European qualification and UK honours. "

Club 1: " Our mission is that we always try to be in the highest league position in the division we are in at any one time, so we do have an emphasis on the playing side. "

Club 5: " Our long-term objective is to get into the Premier Division. "

Club 13: " Our primary objective at the moment is to get into the First Division. "

Club 14: " That must be the long-term aim, the Premier League, our short- to medium-term aim is the First Division and in my honest opinion that is an area where this club could be successful. "

The quotes from the interview survey show that all clubs have got a very clear idea about their sporting objectives. Sporting objectives are a central element of their mission-related statements. The vast majority of the sample aspired to play in a higher division and only two clubs seemed to be satisfied to remain at their present level. Typically, most First Division clubs were found to aim for promotion to the Premier League with Second and Third Division clubs wanting to play at the First Division level on the long run. Those two clubs forming the exception claimed to be more concerned with surviving financially. The issue of finances and other types of objectives mentioned by clubs are the topic of the next part, which will again start of with a selection of interview quotes:

Club 9: " Our long-term objectives: The relocation of the club to a new stadium, hopefully an indoor stadium and to maintain our financial viability and solvency. "

Club 16: " The mission at the moment is to build the financial base of this football club to enable it to move on and to compete. "

Club 17: " Obviously the first priority is to break even, otherwise you have to put your hands in your pocket. "

Club 18: " I mean the long term plan in terms of players really is about setting up a centre of excellence for youth development. "

Club 19: " The long-term issues of any football league club is existence. "

Club 20: " One way to do a long term plan here is to say that we have to find a benefactor."

Club 12: " Our long-term aim is that we get more people, my idea to increase the gate over a longer period is to get a new stadium. "

Club 12: " We have got to build our operation in the next three years to a £10.5m turnover without the income from Sky. "

Club 14: " What we are talking about now is part of a long-term plan, the possibility of swinging this from an ordinary one person - one share by guarantee company to a normal plc, that is the long-term aim. "

Club 11: " Our objective is to maintain tight financial control, build a structured youth policy, maximise the use of physical assets and promote the club as part of the community. "

Club 9: " The development of the ground, if we get that off we are running a leisure business of which the football club operates sort of 50 days a year because we will be using the stadium for all sorts of other things because it is indoors. So the nature of the business will change dramatically then. "

Aside from achieving sporting success, it is the issue of financial viability which is mentioned the most. Most club chairmen clearly stated breaking even as a financial objective, a few were found to use the term solvency, one club chairman was simply concerned with existence and others again talked more generally of financial stability. One club declared finding a financial benefactor as an objective and only one out of all the clubs stated a specific income target as an objective. The remaining objective statements refer to individual areas of club operations; many clubs were in the process of executing or planning developments of their ground facilities so that one of their main objectives was to carry out those developments. The development of young players is also often mentioned in objective statements. Some clubs are aiming to set up a complete Youth Development Programme, others already have a Youth Programme in place and would like to improve it. Other less commonly mentioned objectives included attracting

more spectators, integrating the football club more into the local community and changing the ownership structure of the club by floating it on the stockmarket.

In the final part of this section, statements by club chairmen concerning the nature of competition in the football industry are presented:

Club 6: " The Football League is made up of diverse members. The requirements of some clubs are different. Take a lower division club who gets very little attendances and very little income, their requirements are totally different from those in the First Division who try and get into the Premier League. "

Club 20: " The problem with football is that the top end is wash with money and the bottom end has got no money. "

Club 17: " Our view is that this club will never be in the position to fund Premiership football. "

Club 2: " One big guideline for us is that we will never be a Premiership club. "

Club 15: " I think now we look almost a race apart because over the last two seasons there has been a huge gulf created by the Premiership and the money they have, and probably a big realisation on the part of smaller clubs is that they aren't going to be many Wimbledons around where clubs with relatively small support can survive at the top. "

Club 9: " Compared with Manchester United we are the corner shop compared to Sainsbury's. I think when you get to a bigger organisation, when you get to the Spurs' and Leeds' and Manchester United's of this world, that is a totally different business then it is running this club. "

The point which is clearly made by these comments is that the top end of the industry is considerably different from the lower end of the industry. Clubs in the lower divisions face a different set of environmental conditions than their larger counterparts in the Premier League. It is the aim of this study to investigate whether this circumstance leads to a distinctive strategic behaviour of clubs and the remaining sections of this chapter will provide the data which will serve as a basis for answering this question.

5.3. The Team Manager

The team manager does occupy a key position at the club. He is responsible for achieving the sporting objectives of a football club. The manager's main responsibility area is the performance of the first team, but he is also involved with the youth development side of the club and has a significant say in player transfers. The prime objective of the team manager is to assemble a successful team of players. The players at his disposal are trained and coached and the squad can be reinforced with players bought from other clubs through the transfer market. In order to begin the analysis of issues surrounding the position of team manager, the number of managerial changes which occurred in the sample of clubs have been charted for a five-year period, from the 92/93 season to the 96/97 season. The following table 5.1 summarises the findings.

# of Managers	# of Clubs	Total # of Managers
1	2	2
2	7	14
3	4	12
4	5	20
5	2	10
Total	20	58

Table 5.1: Managerial Changes between 92/93 and 96/97

It can be deducted from table 5.1 that the 20 sample clubs have used a total of 58 managers in the 5-season period, which amounts to an average of 2.9 managers per individual club. In effect, the average team manager remained in his position for 1.72 years or 21 months. The bulk of clubs (16) were found to have employed between 2 and 4 team managers in 5 seasons. At 2 of the clubs, the team manager has been the same for the observed period. 2 other clubs at the other end of the spectrum have had 5 different managers in as many years.

The above-presented data raise questions about the reasons for the high managerial turnover ratio and the following extracts from the interview survey on this issue will provide more insight:

Club 14: “ We appointed a manager which was not very good and I suppose you have to say that is down to us, we appointed him. We couldn’t work with him and we had to say: ” Out “, because we were sinking so fast. That's not uncommon in football, if things go wrong, the first person to look to is the manager. “

Club 17: “ To be fair, with a young manager coming through, his aim has always been not to stay with a club like us. He has always the point that if the time comes and our manager wants to go, then he would get our blessing - we have to be realistic about that. Obviously at some stage a manager wants to manage a First Division side and feeders will be out, so if he wants to go for something bigger, he can with our blessing. “

Club 18: “ If you are a Premiership club, you are looking for a successful manager from somewhere else. ”

Club 12: “ One of our biggest problems was of course that we lose a manager when we are successful and somebody else wants him. “

Club 9: “ If they [managers] start to do well, at a certain point in time the fans get panicky that we might lose him and the truth of the matter is that you are always going to lose him anyway. “

The most common and obvious reason given by clubs for managerial changes is lack of success. If a team manager does not achieve the desired sporting objectives, the board of directors will sooner or later replace him. Managerial changes can also occur when a manager has been successful at a club. Successful lower league managers can become a target for a managerial vacancy at clubs playing at a higher level. Clubs at a higher playing level can offer higher wages, more funds for transfers and altogether superior working conditions. It can also be assumed that the majority of team managers have the personal ambition to work at the highest level of their profession where the public attention and potential recognition of their work is at its maximum. One of the sample clubs did release their manager to a top-flight club in the middle of the season during the course of this study. Football club boards do recognise that they have very little power to fight off an approach for their team manager from a bigger club and many seem to have accepted this as an unavoidable environmental pressure factor.

The sheer number of managerial changes emphasises how difficult the choice of team manager can be for football club directors. Appointing a team manager is easy, but appointing the “right” team manager seems to be extremely difficult. In order to address the issue of choosing a team manager for a club, a useful starting point is to explore the different criteria which club directors consider when making decisions on the team manager position. The next set of interview quotes provide data on this issue:

Club 17: “ We chose our manager because he has been a winner as a player. A winner not in the sense that he was one of the world's top ranking players, but he is a grafting type player who once did an apprenticeship as a manager at a Third Division club, practically got them promoted, then unfortunately he was at three clubs in a very very short space of time for the very reasons that he didn't achieve what he wanted to achieve. ”

Club 10: “ Football inherently doesn't have good management. Why ? - because most of them have come up through the ranks and they have not had any formal training, and I include football managers in that. Why do we make a man a football manager ? Well, he was a good footballer. It is like saying to the mechanic in the garage, you are a good mechanic, you go and run the company. Similarly, being a good footballer has got nothing to do with being a good manager. “

Club 14: “ The next time we appoint a manager we will have to be a bit more careful who we appoint. I find generally speaking that there is not enough research done by this club, by any club, about the appointment of the manager. They look at the name, to me that is absolute nonsense. That is several clubs' fault, to appoint a name and think that name will have the magic to make everybody perform. That can be very expensive. “

The picture which emerges is that the basis for the choice of manager is a combined assessment of the “track record” and personal attributes of a potential candidate. The track record refers to the working experience a managerial candidate has had with other clubs and the success levels achieved during those experiences. Managerial achievements at other clubs are used to get some form of indication of the quality of the managerial work of a potential candidate. Apart from very few exceptions, football team managers are former players. When potential managers have had very little or no managerial experience to date, clubs tend to look at the achievements of the candidate as a player as an indicator of managerial potential. This approach more often than not seems to defy logic and clubs have found themselves in worse sporting and financial conditions after learning the hard way that being a successful manager requires a different set of skills than being a good footballer. The comments from club chairmen show that some football clubs are aware that this kind of reasoning is often wrong, but in times of no success and mounting pressure to halt a sporting downfall, many still trust a successful player to bring them success as a manager.

The fact that although clubs consider a potential manager's track record but still so many partnerships between clubs and managers do not seem to yield the desired success, allows the suspicion that there must be other factors which play an important role in appointing a successful manager. The next few interview extracts provide some examples for the kind of attributes clubs are looking for:

Club 17: “ You have to have somebody who can drive a team, you got to have in the lower divisions a track suited manager, you need somebody who installs in the team a confidence that he still understands the game. “

Club 12: “ I think honesty is very important, honest endeavour, the ability to play at a certain level, to ensure that he understands and knows football, and knows players. “

Club 13: “ Common sense is the most important attribute a manager needs. “

Club 7: “ One needs a manager who is streetwise, emotionally aware. “

Club 5: “ I think that my view is that I am far more interested in the person than who they are and what they are; as long as the person is straight, honest and obviously got the technical ability. I have got what I consider to be a very committed guy, who is determined to succeed, who is a rising star rather than a fading star and I am very happy with that. Now whether he succeeds or not, only time will tell. “

According to the interview data, club directors give equal if not more importance to the personal attributes of managerial candidates. Those personal attributes of a managerial candidate can either be assessed in an interview setting, as it would be done generally with outside candidates, or through observation. There is no scientific method for assessing the personal attributes of a person and club decision-makers often use their own judgement to guide their decision. One chairman remarked:

Club 5: “ It is about using your own apprehension and so on, looking at past events and talking about the future. I have had a lot of people sitting here for interviews as managers and some of them were well known people and some of them weren't, and I have just used my own gut feel about people. “

According to the research data, apart from the technical ability, common sense, honesty and commitment seem to be the attributes that clubs are looking for in managerial candidates. When a club is appointing a person from outside the club environment, this could either be a team manager who has worked at other clubs as a manager or in a similar position or a player who has just finished his career and wants to carry on working in football as a team manager. In this process, the assessment of personal attributes can prove difficult to assess through an interview setting. The assessment of personal attributes of managerial candidates can be much more accurate if the top management of clubs has the opportunity to monitor a candidate over a longer period of time, as it would be the case if a club intended to promote from within its structure. This seems to be the reasoning behind the use of this approach and the following quote from a club chairman underlines that:

Club 1: “ At this club we like to have somebody we know, we like to have somebody who has either worked within our structure or with the people within our structure. We tend to promote from within if possible, and then when we promote we are supportive. “

A managerial candidate can only be closely observed if the individual has been working within the club structure and personal attributes will have been on show and well known to the club board. A club promoting from within will tend to offer the position of team manager to either the first team coach or possibly a reserve team or youth team coach. There is also data which suggests that appointments from within the club structure can be made as an alternative when other prospective candidates pull out of contract negotiations or when it is deemed that no suitable candidates are available at the time. One club reported of such influencing circumstances:

Club 18: “ We made two appointments from within the club. The manager had been assistant and he was appointed, really, at the end of a lengthy process where we had interviewed a lot of people and it was decided to appoint somebody else, and then at the last minute another club came in with a better offer, which he took. We had spent so much time negotiating that we decided that the easiest option was to give it to the guy who has been with the club. There was only him left at the time to stand in and he was given the job on a caretaker basis and seemed to be doing all right so they gave it to him.”

When the data on the issue of managerial appointments is examined as a whole, an important observation can be made: The assessment of the potential of managerial candidates and their selection is to a great extent dependant on a number of contextual circumstances. Football clubs and team managers have individual characteristics which are combined in a working relationship. Some combinations are successful and others fail. Football clubs choose managers according to their track record and personal attributes. Both these forms of assessment can, due to their nature, only provide a limited indication of how well the future relationship between club and team manager will work. The track record refers to work experience gained at other clubs. In the absence of a track record, playing achievements tend to be used as an indication of managerial ability.

The weakness of using work experience and success levels achieved at other clubs as a choice criterion lies in the fact that the specific circumstances of a particular club are not being considered. Different football clubs have different objectives, different people in charge, different financial bases and different players, all of which have an impact on club success. Personal attributes can only be accurately assessed over longer periods of time

but most managerial positions are filled with outsiders after personal interviews, which by their nature only provide a snapshot of an individual's personality.

From the perspective of the clubs, the choice of potential team managers is generally limited by a number of environmental conditions such as the availability of potential candidates at any given moment in time and the competitive position of the club within the football industry. Clubs can literally change team managers at any time during the course of a season. Their choice of team manager is limited by the availability of candidates so that sometimes clubs can be lucky and secure the services of a manager with recognised credentials and in other times they may be forced to adopt the seemingly riskier approach of giving a young manager the chance to make his name. The competitive position of a club within the football industry is essentially determined by the playing level of a club, which means the league level and the position within the league division. Other factors such as the level of support, past successes, ambitions of the board and available financial resources are also of importance. The interview extracts for this section show that the consideration of a club's financial constraints seems to be crucial for a successful "marriage" between club and manager:

Club 7: " One needs a manager who is streetwise, emotionally aware as well as a chairman who understands the pressures that a manager can endure during a season and the grounds he has to success which have to be blended with the club's ability to be able to deliver within certain parameters. "

Club 8: " If you want a good manager you've always got to have money to spend and you have to really let him have to a point what he wants. "

Club 20: " The skill is to get the right people, the right management people, get the right players, and really the only way you can do that is by getting the right manager and working very closely with him, getting him to understand the situation of the club. "

Club 6: " The most important person is the manager although it may be that we can overstate this at times because even the manager is only as good as his team, his team are only as good as the players in there but it is the manager whose job it is to get the right players to the club and get the right team around him. Of course he may be working under financial constraints, some clubs clearly have far more to spend than others. "

Football clubs choose team managers and team managers choose football clubs. Team managers who have a certain amount of experience and have built up a reputation usually are in stronger bargaining positions during contractual negotiations than their younger and more inexperienced counterparts. Many also have personal ambitions of a higher order, thus eliminating them as suitable managerial candidates for clubs further down in the industry pecking order. Finally, the number of managerial changes can be attributed to

some extent to the nature of the competition in league football. By definition, any football league competition will have only very few real winners, some near misses and many more also-rans and losers. This doesn't stop many clubs to have ambitious objectives, which they expect to be achieved by the team managers they appoint. For the majority of cases this is simply not possible and subsequently this leads to the great number of managerial changes which have been observed.

5.4 Players

The success of a club depends greatly on how players perform on the field. Football is a team sport and teams are made up of squads of more than 20 players, but a single player's form and ability can potentially make the crucial difference between success and failure. Clubs can either buy or sell players from and to other clubs on the transfer market or bring players up into the first team from their own youth development schemes. The findings relating to players will be presented under the topics of transfers and contracts and wages before some of the propositions made by club chairmen to improve the current dilemmas are considered. The issue of youth development will be discussed separately in the next section as it represents an alternative strategic option for clubs.

5.4.1 Player Transfers

A general overview of the research data reveals that transfer activities fall into two distinct categories: On one hand, football clubs buy players with the intention of enhancing their chances for sporting success. On the other hand, clubs sell players, either for financial gain or because of poor performance and the need to vacate a place for an incoming player. The funds each club spends on player transfers will essentially depend on club objectives and the financial resources which the clubs have at their disposal. A number of clubs have explicitly acknowledged the financial constraints which limit transfer activities:

Club 12: "If you have got no money, you can't buy players."

Club 6: "Of course he [the manager] may be working under financial constraints, some clubs clearly have far more to spend than others."

Club 17: "The fans will always say that the board is not ambitious because they want to see big players coming in. It is difficult, everybody has got ideas where they want to go, but you have to tone it down to what you actually do and what is sensible."

Club 2: "I was with the manager talking with a player he has seen today, we have very clear guidelines as to the kind of money that we can spend, the budgets that we have got to stay within, if we wanted to go outside those guidelines we'd go back to the board."

Aside from the financial constraints, several risk factors impact on the transfer policies of clubs. The following extracts from the interview survey provide a description of those risks:

Club 18: “ We could say we are going to spend £40 000 on this player because we will get it back and the simple answer is you don’t know if you’ll get it back. It is such an uncertain business, you can get a lot of injuries and a successful team suddenly starts loosing. You can bring in a lot of good players and they don’t knit together. ”

Club 8: “ You can go and spend £3m on a player, give him a 3-year contract and he can break his leg the following week and you have to pay out the £3m over the period of time.”

Club 19: ” You could have a couple of players that end up with long-term injuries so you have to bring another few players in. ”

Club 5: ” There are all the other things that can happen, mainly injuries, red cards and things like that which can change everything. Say for instance you get two very good players and they get injured, which happens all the time, and again that can push you back and then you spend more money to replace them and it is just a vicious circle. ”

Club 1: ” If we have a bad run of suspensions and injuries we either throw caution to the wind and go out and get other players, which takes us then above our budget, or we bring loan players in, which takes us above our budget, or we stay where we are with our playing squad and possibly get relegated. ”

Serious injury is the most important risk factor in the acquisition of players. Injuries are impossible to predict and whether a player can stay healthy during the course of a season is almost entirely depending on good fortune alone. Another more short-term factor that can spark transfer activity is a run of suspensions for key players at a crucial point of the season. Suspensions themselves cannot be controlled because they are handed out by match referees, but if a particular team seems to get an unusually high number of suspensions, it is at least theoretically possible to work on team discipline and attempt to lower the overall number of suspensions. Apart from injuries and suspensions, players and teams can show poor performances. The nature of football is such that there is always a risk that a player’s performance level will be inconsistent or that good individual players do not manage to play successful as a team. These events are essentially unpredictable and can potentially cost clubs valuable funds.

A reaction to these environmental circumstances is that some clubs opt to sacrifice quality for quantity by choosing to buy more cheaper players rather than just one expensive one. This next comment by a club chairman provides an example of this approach while emphasising how careful clubs at the lower league levels have to manage their financial

resources. At this level, a transfer gamble on a top player which does not pay off because the player sustains a career-ending injury has the potential to inflict financial damage on a club which can take years to be mended.

Club 17: "£100 000 is a lot of money in the third division, we are the highest spending team in the division, we spent about £300 000 but rather on 4 or 5 players than on one."

When a club has a run of poor performances, the team manager, the supporters and the media will see the acquisition of new players as the best solution. Team managers are experts in their field and have in-depth knowledge about form and skill levels of a great number of players within the football industry. This means that at any point during a season, many will have a shortlist of players that they would like to buy in order to strengthen the team. In the same way, clubs can be on the verge of achieving a certain level of success such as promotion or a cup run and the acquisition of players can then be seen as a means to secure this success or to provide the improvement needed to reach it. Many club boards succumb to the promises made by team managers and throw caution to the wind by providing the additional funds for new players. Several chairmen in the interview survey acknowledge this very emotional and passionate behaviour, driven by wishful thinking rather than economic logic:

Club 8: "If you are talking about players, pay policies and these sorts of things, I mean we have pay policies in place, we review pay policies all a while. The team manager controls the footballing side and that is an area where you have to do a lot of thinking because he will come in and say: "I want five players, £10m, and if the board say yes, he will spend it and then three weeks later he will probably come in and do the same again. I mean we have got a plan at the moment where we are looking at X amount of players coming in to try and have a good push to get into the Premier League."

Club 19: "At the board meeting we will decide whether or not we are going to give the manager the extra player, we have got the financial issues that tell us what we can do and what we can't do, i.e. if you have got no money you can't buy players, but the manager sometimes doesn't see it that way. When you get to the bottom of the league you get something called panic that sets in and obviously you don't like it in that position because of the risk of becoming bottom and you go out of the league. That means money, so you start to say: "we'll throw the budget out of the window, we will get more players in." We might budget players' wages to be £500 000 a year, if we are knocking on the door of getting promotion and we need that extra couple of players to get us there, then we are obviously going to go over the budget."

Club 11: "As indeed with a lot of clubs, somebody enters the club, they get a manager in and he says: "if I can have two or three players, I can get you out of this league". So even if they are good business people, they lose all sense of direction, they get those two or three players and usually they don't get promoted, we got relegated, and so we have got huge overheads playing in the lower league with lower attendances."

Club supporters and the media expect their team to have ambitious sporting objectives and this is often translated into the need to buy good players. Many clubs perceived pressure from these parties, especially at the beginning of a season or when performances have been poor for longer periods of time. Faced with these pressures, the board of directors has to make decisions on transfers while at the same time considering the well being of the football club as a whole. This means the long-term financial implications of player transfers should be very carefully analysed. When a football team is not playing well, this normally means that attendances and subsequently income will be lower than expected. Player acquisitions will then be an above budget expenditure in the majority of cases. At the same time, club directors realise that buying players to improve team performance is a very risky undertaking and in many instances the desired turn-around effect is not achieved and the club is left in a worse position with less income and higher expenditures. The interview extracts featured below focus on the pressures from supporters and the media:

Club 18: "The first criticism that you get from the people who come and watch the match is: " why don't you go out and buy some players ? "

Club 11: " Customers usually come along and say the gate price is too much and why not spend more money on players and that is all that matters. "

Club 9: " The biggest influence on us as our biggest contributors is our supporters. They come along and they provide the money through the turnstiles and they are an enormous pressure on you. They want to see success on the pitch and sometimes, sometimes your decisions are made with them in mind. We are at the start of the season and we need to show ambition, supporters' idea of ambition is new players. You have got this dilemma that you could say to yourself: " OK, do we buy a player or a couple of players and make them all think we are going to do well, acknowledging that you may not necessarily. Buying two players doesn't bring in success, or we say we go and we might just be successful anyway, so that's the biggest pressure, our supporters. Probably most supporters accept the financial constraints of a club like ours but all of them think at various times we should buy a player and that is so in the culture of football. "

Club 5: " The aspirations of everybody which are fuelled by the media is that all the chairmen pay, the chairmen can get more players, you know, they demand more players. "

Another influence on player buying behaviour has been the Bosman ruling. The two following accounts by club chairmen suggest that clubs take the risk of losing players on free transfers very seriously:

Club 19: “ Bosman, it is coming to effect next summer and every player over the age of 24, at the end of the contract can just walk out on a free transfer. So basically the way forward seems to be that the younger players under the age of 24 with a backbone in your side of older players, but it also means that certain players that we would sign at the end of their contract we can draw in for nothing. “

Club 20: “ Now the Bosman ruling may come in next June for players who are out of contract. Now the effect that it will have on lower division clubs is that we will have a lot of players under 22 or 23. We will have a few players at 33,34 years old but we won't have many players in the middle. We have got some great players here that are 22 and 23 years old, they are out of contract next year so they will not sign for us again because what they say is: “ Well, I will wait until my contract is up and then if somebody offers them the same money as us but a big signing-on fee, they are going to go. I mean the worst thing about it is that the transfer fees are still going to remain, but the players are going to get the transfer fee, it won't be as big but they will get it. So instead of the money staying in football, it is going out of football. ”

The predicted effect will be a change in transfer policy by clubs who will be forced to focus on those players who will not be affected by the Bosman ruling. Young players under the age of 24 are exempt from the ruling and older players at the end of their careers bear a lower risk because their transfer fees are generally lower.

These findings show that the nature of competition and the behaviour of clubs are in this instance strongly influenced by a European Court of Justice decision, which was implemented by the industry's regulative bodies, The Football League, the FA and the Premier League. One of the most significant effects of the Bosman ruling has been a rise in foreign players coming to play football in Britain on free transfers. This development has provided clubs with the extra option of acquiring foreign players. Some clubs have said they have to some extent benefited from the Bosman ruling because they were able to get players from other clubs on free transfers. The following interview extract illustrates the potential advantages and pitfalls of this option:

Club 20: “ We have got a guy from Spain and we have had a look in Holland and we are trying to get players in cheaper than what we can get them here for. At this level it is very difficult because they don't have a known pedigree and you can make mistakes whereas you don't make mistakes with someone you have seen playing in the Second Division for the last 5 years. ”

Acquiring foreign players might be a benefit for English clubs because lesser known foreign players might be cheaper to buy due to the Bosman ruling, lower wage expectations and lower transfer fees in other countries. From the clubs' point of view, foreign players always bear a risk because they might fail to adapt either to the cultural environment or to the way of play in the English leagues. Furthermore, the lack of first

hand information on past performances and skill levels of such players can lead to misjudgements and subsequent disappointing performances by these players. British players are generally well known to team managers and they usually have no adaptation problems. The downside of the national transfer market is that prices for players tend to be higher, competition for promising talents is fierce and successful transfers often require funds which the smaller clubs do not have at their disposal.

Clubs sell players for a number of reasons. Players are mainly sold because their performances have been poor and they do not feature in the plans of the team manager, but on many other instances players are sold because they have performed exceptionally well and another club has made an offer which will make a good profit for the selling club. Under certain circumstances, players may have to be sold because a club is in financial difficulties and needs to urgently generate funds to meet its financial obligations. The urgent need for finances will often mean that clubs have to accept low offers for players from other clubs who are aware of their financial situation. Selling good players on to bigger clubs in order to make a profit or to balance the books has for many years been a survival strategy for many smaller football clubs. The sale of one or two good players could have in many cases generated enough funds to make a substantial contribution to covering running costs of a club for an entire season. The four following interview extracts provide an insight into the motivations of club directors behind transfer decisions which see players leaving their club:

Club 8: "I mean if in a business you have a whiz kid you would never want to get rid of him, would you ? But in football if you have a good player and someone offers you a lot of money you are always going to sell; and it doesn't matter what club you are, whether you are the top clubs in Italy, Germany, the UK, you'll sell. "

Club 12: " One year you might make a profit of £900 000, which we did the year before last, and then you might make a loss of £900 000 like this year and you balance the books by buying or selling a player. "

Club 6: " It is nice to have players who are valuable and it is nice to know, I mean we do sometimes appreciate if finances get tight with this or that, we've always got such and such player that we can sell and traditionally that is how football has operated, it has always operated at a lower level like that, divisions two and three always think: " well, we are going to have a deficit this year of £250 000 but we can sell a player. "

Club 20: " During the past three years we had a net income of at least £200 000 from the transfer market, either from a straight sale or from a sell-on. "

These findings also indicate that football clubs are often unable to predict if and when other clubs are offering to buy players from them. The three quotes from club chairmen which are presented next do emphasise how much successful player sales are dependant on favourable developments in the environment of clubs such as a change in personnel or objectives of other clubs which can then trigger transfer activity.

Club 7: “ One is starting the season with a budget to make a loss and in any other business you close the business down. What happens in football is that one can have a good cup run...and that can make an enormous difference to your finances or you can unexpectedly receive an offer in excess six noughts for a player and that’s what really motivates. ”

Club 19: “ You might have a player out there who you plan to be stuck with for a couple of years and then a Premiership club comes and buys him for £500 000, you just don’t know. ”

Club 15: “ The actual reality is that we haven’t made a lot of money out of the transfer market. You always feel sooner or later you are going to hit a nugget that’s going to be worth £1m. ”

In the same way that outside forces such as the supporters and the media can have an influence on player acquisitions, supporter pressure has the potential to stop the sale of a player. In the next set of interview quotes, club chairmen describe these pressures:

Club 8: “ When a director gets a lot of pressure from the press saying: “ you shouldn’t sell this player “ , and the board know he should go, sometimes the board say no because they think they might upset the fans and you have to consider the fans. “

Club 7: “ I think that supporters do tend to have a say, they don’t have an active say but I think you will observe from the press that supporters have a great say in who is appointed say as manager or who is bought or who is not sold and at the end of the day they are your paying customers and anybody who doesn’t recognise the importance of the paying customer is not going to succeed in this or any other business. ”

Supporters and the media have not direct means to exert any influence and the accounts from club chairmen show that on some occasions board decisions can be made to suit what is believed to be “public opinion”, rather than possibly for the overall benefit of the football club from a financial perspective.

Since the Bosman ruling, the opportunity to generate income through player sales has been severely restricted. The following interview quotes outline concretely how the transfer conditions have changed for the sample clubs:

Club 3:” Previously, clubs have got not only near the wire but across the wire and knowing that they could always repay a failed promotion drive or the cost of relegation or

whatever it is with the sale of players. The is an increasingly risky strategy as a result of Bosman.”

Club 13: “ The Bosman ruling has changed so much of the plans that people could have at the moment, we have never put players in the balance sheet and it seems to have been an extremely good move not to have done that because they are all going to be worthless at the end of this season anyway. ”

Club 9: “ It was the traditional escape route for football clubs, speculate on players, a new manager comes in, “OK, we are going to spend £1m on new players and with bad luck, if it all goes wrong we will have a young kid or one of those players who will come off and we are going to get our money back. ”

Club 7: “ I do believe that Bosman isn’t going as to be as catastrophic as some clubs believe it is going to be. There will be substantial dealing with contracts; if a boy signs a 4-year contract at 18 and by the time he is 20 he is proving a star, then I believe that Premiership clubs will come in and buy him, no matter what. They certainly won’t wait until he is out of contract and can then name his price and go anywhere. Of course Bosman can work for a football club also because a player that is out of contract who could potentially go abroad and his club receive no fee at all, can often be acquired by another English club for a lot less fee then he is worth because of that dimension. We have just had an example of that here.”

Club 14: “All footballers think they are going to get big money, the people who are going to profit most from these things are agents. We had a case here where we have just lost a player who was on a 2-year contract, was voted the player of the year by the supporters, excellent player, only 23 or 24 and he got an agent and wouldn’t accept any of the offers that we made him. We made him three offers, each one better than the last one and he has gone to sign for Bristol City. They are only in the same division, obviously he must have got more money as well as a signing-on fee. The agent has done that because he will get a percentage of the signing-on fee, otherwise he doesn’t get anything; so they tend to make players move, which makes us suffer.”

Club 4: “ Transfer fees will still exist but they will go to the agent instead. We had two on free transfers, but there were all sorts of fees involved, signing-on fees, which is as much as you would pay for a player. ”

With players being able to leave a club on a free transfer at the end of their contract, their potential transfer value depreciates as they move towards the end of their contract. The above comments reflect the fear of the financial consequences the Bosman ruling bears for those clubs who have traditionally relied on the sale of players for financial survival. Only one club chairman believed that market forces would still dominate despite the Bosman ruling, arguing that the ability of a club to sell players is primarily determined by the talent of the player and talented players will always be a valuable commodity. Many football players now have agents who conduct their contractual negotiations for them. This more professional approach, as well as guaranteeing higher salaries to players, has increased the likelihood of a transfer because agents receive the greatest financial benefit

themselves when a player moves to another club as they normally receive a percentage of the transfer fee or signing-on fee. Agents are able to negotiate with several clubs about the signature of a player and accept the best offer in financial terms. This leaves clubs still paying considerable sums for the transfer of a player but the funds go to the player and his agent instead of the club the player is leaving.

While the option to sign a foreign player can be attractive to a club, the influx of foreign players to other clubs in the industry has to some extent replaced the trade in players between big and small clubs. The attractive salaries and signing-on fees many Premier League or top First Division clubs can offer mean that the bulk of players are transferred from the top leagues of other countries. In comparison with the option to acquire a promising player from a lower league club, a foreign player can represent “better value for money” because of their proven experience at the highest playing level. The acquisition of foreign players bears potential adaptation problems but still a growing number of top clubs pursue this option. Players from lower leagues are also risky investments for bigger clubs because the change in playing level can too often prove a big hurdle for these players. The comments from club chairmen on this issue reflect the perception that opportunities for selling players have been diminished by this market development:

Club 14: “ Clubs in the lower divisions like ours have income taken away from them by the importation of all these foreign players. In the past years they said: “ There is a good player at a lower division club, let’s come in and buy him, at a reasonable figure” ; and perhaps clubs like ours have got a bit greedy and have asked for more money for a player than for a foreign player. So all the Premier League clubs are looking abroad. “

Club 17: “ If you can pick up a foreign player out of contract, if you are a Premier League club you can pick a well-named international out of contract and then you are going to pick him aren’t you ? You rather put money into his pocket than put £500 000 into a smaller club for some player who is untried at the highest level. He may or may not make it. He may score 40 goals in Division Three but can’t get a kick in the Premier. ”

Some optimistic clubs are hoping that this intensified competition for team place at Premier League clubs will bring more good British players to the lower leagues to play first team football. One problem that this development might bring about is a higher wage expectation of those players, an issue discussed in more detail in the next section.

5.4.2 Player Contracts and Wages

Following the Bosman ruling and the influx of investment from television companies, the top clubs in the industry were able to offer some of the best salaries in world football, thus attracting many foreign international players. These developments have had a significant effect on all the clubs in the industry and the interview extracts presented next illustrate the position of the sample clubs on this issue:

Club 14: “ Every year more money is required. Why ? because more money is paid to players and that is the biggest area of expenditure, wages of footballers. The Premier League has got all the money and players get big money. The effect of them getting big wages has a knock-on effect right through the Football League, right down to the Vauxhall Conference. That makes life difficult for people running football clubs; if you say no, what do you do ? “

Club 12: “ Sky TV is bringing money into the game. Unfortunately what is occurring is that the larger clubs are spending that money overseas and are giving it to the players in wages. “

Club 6: “ If you take the footballers themselves, they are first and foremost out there to maximise their income in what they see to be a short career and that’s what they do and that makes it very difficult for football clubs because we face far more pressures of the players. The fundamental problem with football is players’ wages, straightforward. If you look at every club in football at professional level, their major problem is the wage bill of the players. If we all reduced our wage bill by 20%, we would all have a much more comfortable existence. But it won’t happen because we are very much in a dog eat dog business, beating each other, so we get put under pressure by players to pay them more and more and very often we succumb to their pressures, irrespective of the financial implications. ”

Club 1: “ There is an enormous escalation in wages, it is filtering down from the money being paid at the top. “

Club 4: “ Salaries are going to go up, if it turns out players are underpaid, then we will voluntarily raise them to the right level because if you don’t pay them the correct and fair salary, none of them will perform, they are going to grudge and it comes back to you. ”

Club 8: “ If you want a good manager you’ve always got to have money to spend and you have to really let him have to a point what he wants, and when you are doing pay policies he is the guy who is going to break your pay policy, not a player, the manager himself will break it. ”

The high wages offered to foreign players have altered the wage structure of Premiership clubs. Other players at these clubs have increased their wage demands so that overall wage levels have increased in all the top clubs. Subsequently, those players who decide to

move to lower league clubs have higher wage expectations. Team managers are only too happy to get players from higher playing levels to join their team because for them objectives for sporting success have priority. From their point of view, the acquisition of a good quality player from a higher league is generally recommendable. It only takes a few club chairmen to agree to those high wage demands to destabilise the wage structure of the whole league and the figures on wage levels in the industry (see Deloitte & Touche (1997) suggest that a fair number has given in to the wish of “buying” sporting success rather than letting economic reasoning prevail. A domino effect raises the overall wage bill of a club and through player transfers, wage structures at other clubs are affected and the wage expansion sweeps through into the lower divisions. The interview extracts below describe the pressures on club wage structures and how clubs are reacting to them:

Club 15: “ There is a whole list of experiences, one of which is my own trying to balance the books. The fact of the matter is that you can’t attract the right sort of players if you are not paying the going rate and the only way to balance the books is not paying the going rate. ”

Club 1: “ Players by necessity influence your position within the football structure. The fact that we have to pay competitive wages means that we have less staff. ”

Club 13: “ We manage to tame things here by keeping a fairly tight rein on wages, but it is a competitive business and different chairmen of the board will always pay more if they think that the player is going to guarantee them self-success, which doesn’t work and you find clubs going to the wall for spending more money than they have. ”

Club 8:” The only way I see things changing is that football clubs will not be able to pay their wages and their bills and you may find one or two going bankrupt, which then may bring back a bit of sense into the wage structure at football clubs. Last year wages went up by 52%, we didn’t get promotion, same players, and the spectators were moaning that the quality wasn’t better than the year before. One day, players have got to stop their wage demands, but with the Bosman thing it might make them even richer in the short-term. “

Club 20: “ The only factor we can really influence is wages. Our budget shows a loss of £200 000; now we can stop that £200 000 loss by two ways, one is to reduce our wage bill. It is quite easy to reduce the wage bill by £200 000 by having youngsters, the only difficulty is that if we do that the customers will not come to watch. The other way we can reduce our loss is to invest more money in wages, in other words go for broke, gamble, and risk that we are going to do well in the cup because we can play better with better players and that will reduce our £200 000 loss. What we tend to do is to get caught between both of those things and we have in the past budgeted for a loss of £100 000.”

Club 20: “ We got two players out there, we pay them £175 a week because they came through our youth policy and are 19 years old, and one of them now is talking about £200 000 - £300 000. Now his contract is up this year so we’ve had our holiday and he is going to say: “ I want the same as the other players. “

Club 5: “ The gates cover about 40-50% of the players’ wages only. Perhaps we should let a few clubs go broke because then perhaps people would be focused more realistically on the situation and the overall problem with all that is simply player wages. Players’ wages have just gone through the ceiling and that makes it just damn difficult to make money. ”

Club 11: “ Bosman means that the good players are going to get more and more and more and the less good players might have to go part-time because clubs can’t afford it. ”

Club 2: “ I think the smaller clubs will have to go part-time or even go amateur or semi-professional rather. There is only a certain amount of money that you are going to spend, I don’t know, £1m on wages. You can buy one player and pay him £1m a year or you can buy a load of them. We have got to decide how we spend our money so that’s an interesting balance. ”

The majority of the sample clubs does not have a strategy to counter the pressure from high wages. Many are not able to keep player wages on the same level as their income. Some clubs are budgeting for a loss at the start of a season and the possibility of bankruptcy has been mentioned on a couple of occasions. One club has resorted to a reduction in the number of players to be able to pay competitive wages. Only one club seemed to have a fixed ceiling for the wage budget and the strategy there was to stay within that budget and aim to achieve sporting success with “affordable” players.

The two interview extracts underneath illustrate how the frequent information exchange in the industry impacts on club wage policies:

Club 20: “ We do know what other people are paying in wages, we do know what bonuses they are paying, we know how many players they have got, we know their training approach. We know the competition, we know a lot about the competition because we know a lot about the players. The manager knows the players, we know the coaches, I know the chairman, we speak to them all, I know when they sell a player, it is very very open. ”

Club 9: “ I keep a regular supply about the accounts of other football clubs because that gives me a judgement about things like for example player wages. I could draw a comparison between this club and equivalent clubs and you can look for example at their overall wage levels and that may be relevant when I am discussing matters with my manager, maybe when he wants to give the players a big rise or something. ”

The research data shows that the increase in wages is helped by the common practice in football that information is vividly exchanged within the industry through personal encounters or the media. Football club chairmen, team managers and players alike seem to be very knowledgeable on who earns how much at which club. The availability of such information has the consequence that players are aware of wage levels at other clubs

within their league and during contractual negotiations the perception of wage levels seems to play a role. It can be assumed that player agents are equally well informed since this kind of information would be crucial for their profession. In this way industry wage levels influence wage levels at individual clubs and club boards who try to underpay players risk alienating them which in turn could result in poor team performance.

Apart from changes in the wage structure of clubs, clubs had to also alter their policies concerning player contracts. The following quotes provide some examples:

Club 8: “ We have a problem at the moment because the Bosman thing hasn’t been put in. Basically, what we are saying is that we want to sign lads until they are 24 and they can’t leave the club, so their contracts will always take them through until their 24th birthdays. After that of course, we have a major problem because if a lad is on a 3-year contract and his three years are coming up and you have paid let’s say £3m for him, he can leave your club to go to another club, at the moment it has to be outside the UK, for nothing. So you generally, in the second year of the contract, go to that guy and you say: “ are you happy with us ? “ , and he says yes and you get them to sign another 2- or 3-year contract and they usually whack you with double the amount of money they were getting before. If you don’t get them to sign, then you try to get rid of them in that last year before that contract elapses because as I said, once it elapses you are in trouble. ”

Club 16: “ Bosman fundamentally changes the way that we run this football club and we, as a football club, now have made a policy to cope with Bosman and the policy is simple: every player that we value, I mean from a financial point of view, you don’t let them get within less than a year of their contract and if they won’t extend the contract you sell them; no matter who he is, no matter what any particular manager might want to do, he will be sold. And if necessary he will be sold above the manager’s head because we believe that’s the one sure way that we can cope with the Bosman scenario. ”

As a reaction to the Bosman ruling, clubs are offering players longer contracts. Young players under the age of 24 are offered contracts which will take them through to their 24th birthday, thus eliminating the possibility of losing them on a free transfer. At least 4 clubs have explicitly mentioned a practice which seems to be commonly used to counter the risk of losing a player on a free transfer: Player with contracts are not given the opportunity to get within less than a year of their contract. Clubs try to negotiate new contracts with those players they wish to keep on the longer term, players who do not want to sign new contracts are sold, so that clubs are still able to get a fee for them, provided there are interested clubs. With contract durations having increased from 2-3 years to 4-5 years, clubs have to make a bigger financial commitment and take a bigger risk, as they cannot foresee the performance of players over such a long time. The comments of club chairmen reflect this problem:

Club 18: “ For Bosman, what we have to look carefully at are our professionals who are under 24, do we give them a 5-year contract or do we take the risk ? ”

Club 13: “ One of the problems is that if you go under the Bosman ruling now and you are offering them long-term contracts, you are talking about 4- or 5-year contracts, it is much more difficult to put that train back on the rails over a 4- or 5-year period than if you got people on 1- or 2-year contracts because you are making a big financial commitment. ”

Club 5: “ Bosman means that we are going to be more at risk because we are going to have to give young people longer contracts and these kids quite often get girlfriends and then don't put everything into their football. ”

Club 9: “ Bosman throws you into an area of complete uncertainty because we looked upon players as assets and there is the danger now that they will no longer be assets other than during the period of their contract. So you say to yourself: “ OK, we give them longer contracts”; players probably won't sign longer contracts and if they do, you don't want them to sign longer contracts anyway because they might turn out not to be any good or break a leg or whatever. ”

5.4.3 Resolving the Wage Dilemma

A number of possible alternative strategies to resolve the financial pressure of high wages have been mentioned by clubs. Apart from one exception, none of the survey clubs had actually introduced any of them at the time of data collection but these strategies could be identified as part of the thought process in which clubs are engaging in the attempt to tackle the current dilemma of high player wages. The most often mentioned option is some form of direct co-operation between big and small clubs. Other possible options are part-time players, salary capping, limited squad numbers and yearly contracts with a fixed wage budget.

Club 17: “ Co-operation with a bigger club will give us the chance of having quality players at less cost and we will get their 19- to 20-year olds who still have something to learn and that will be classy footballers. ”

Club 16: “ I believe there should be the opportunity to have extended loans with people, say from the Premier League. Premier League clubs run big squads and players never see the light of day. The more and more imported players we sign, those English players will never see the light of day and they will never improve because they don't play competitive first team football and everyone will tell you in football that reserve team football is no replacement for competitive first team football. We should be allowed on a purely experimental basis to loan two players from a club. There will be a benefit to the

club that loans because the loaning club will pay most of the wages, if not all of them, and you will have the benefit that you will have two players that you won't have to pay for. There will be a tremendous benefit to the player because the player will be able to play competitive football, which he can't do at the moment and yet he remains on the books the property of the Premier League club. There is a benefit to the big club because they are able to see those players playing competitive football week in week out. The final benefit is to both parties because at the end of the loan period the big club can look at those players, the player that he thinks has got a possibility of making it he will call back, or he may decide after watching them play that there isn't a future for them at the Premiership and they may remain at the club that has had them or they may determine a transfer value."

Club 2: "There are clubs where you can see mutual co-operation and we, over the last few years, have developed that with Premier League club. We play their youth teams because we know they are not forever trying to pinch our players, so we know that we can go in a truly professional environment as opposed to going in a threatening environment. For example, we have two of our young players up there training with their team, seeing how a big club operates, see where their training techniques are combined with ours etc. We could take players from the Premier League club that aren't ready for their first team but better than their reserves, if you like, we could take them on long-term loan here."

The direct co-operation between big and small clubs could take a variety of forms: a Premiership club could buy a lower league club completely or there could be an agreement between the two about an exchange of players. In any case the smaller club would be used to nurture young talented players who would move on to the bigger club if and when they are good enough. This is why this model is often termed the nursery club model. In England, such arrangements are forbidden by the Football League and FA regulations but in other European countries such as Spain or Italy this kind of structure is quite common. One of the surveyed clubs has a formal arrangement with a Premier League club for the exchange of players just for training purposes, thus just staying within League and FA regulations. In the sample as a whole, there are about as many clubs in favour of allowing such arrangements as there are opposed clubs. According to those in favour of the nursery club model, there would be benefits to both clubs. Clubs would share the wage costs, the smaller club would get better quality players for its team and the bigger club would be able to see its players playing competitive first team football instead of reserve team matches. Those clubs not in favour of the nursery club model fear for changes in the nature of competition between clubs, especially with view to the cup competitions where they raise doubts about the possibility of a Premiership club and its nursery club being drawn to play a tie. Furthermore, clubs fear that arrangements of such sort will not be well received by club supporters who might feel a loss of identity with their particular club built up over many years.

Part-time or semi-professional players can be a way for clubs to reduce their wage bill as they would pay players less and players would work in other occupations instead. This model is practised in some European countries, notably Germany, where only the top two divisions are professional and the leagues further down operate on a part-time basis. When it was mentioned by clubs, part-time play was not seen as a feasible option in the longer term because clubs feared there would be problems to adjust to the system with current players and the following interview extracts confirm this:

Club 20: “ I don’t believe that part-time football will come to the third division because we can’t justify it on a cost basis, we are nearly paying as much to part-timers as they have full-timers and we still got the cost of the ground. One would think that if we had part time football the standard must be lower. ”

Club 1: “ Part-time football, as far as we are concerned, wasn’t 100% successful, we had a mixture of players that were full-time and a group of players which were part-time or which had jobs but which were good enough to play professional football. We see that as a temporary measure if you are having a short-term financial crisis but you can immediately put a club’s finances to right by cutting your wage bill down substantially by the introduction of part-time play. ”

Salary capping means introducing an overall limit for the amount of wages any one club in a league can pay to players. This model has been practised at times in some of the North American leagues for Basketball, American Football, and Baseball. Introducing salary capping would require a change of regulations by the Football League and those clubs who mentioned this option also realised there might be considerable opposition to the introduction of such a model by the bigger more financially potent clubs in the league. One account of a club chairman shows that some clubs in the industry have voluntarily resorted to this option:

Club 11: “ Some clubs have said to their players: “ the maximum we are going to pay you is £400 a week, if you don’t like it you can leave and we will get somebody else to play.”

One club proposed the possibility of simply imposing a limit on the amount of players clubs of a particular division is allowed to use during a season:

Club 1: “ After Bosman it may be that we have to look at possible salary capping, which won’t be popular because the better supported teams may say that it is a handicap on them, but the area which I feel better about is the limited number of players in the squad, so a First Division club might have 30 players, a Second Division club 25 and a Third Division club 20. ”

This measure would make it easier to budget for player wages and clubs would not be able to overspend on their budgets during the course of the season. Again, this kind of arrangement would require a change in Football League regulations which means a vast majority of clubs would have to be in favour of it. Another way making sure budgets for player wages and transfers are not exceeded is to change the nature of contracts with players by just signing them for one season. This option has been mentioned by one club chairman:

Club 9: “ I think in years to come I will be saying to the manager: “ you have that amount of money, like they do in non-league, there is that amount of money to the wages, you go and get a team out, and that can change every bloody year. ”

Under this arrangement, a number of players could be signed and paid by a team manager and this team would compete for one season. The amount available for spending for the following season would be determined by the performance of the team. This would mean that a club's team could change almost completely from season to season but it would be possible to control club finances.

5.5 Youth Development

Youth development is, besides the transfer market, the second component to building a team. Youth development is a long term strategy compared to the “quick fix” solution of player transfers. Youth development can involve Schools of Excellence and/or Youth Training Schemes (YTS). Schools of Excellence take on youngsters from the age of 9-11 and provide teams for all age groups up until the age of 16. The best players from the schools are offered places on the club’s YTS scheme. In a YTS scheme, players are at the club for 2-3 years from the age of 16-18. Every year, their performance is assessed and they are “promoted” a stage further. At the end of the scheme, the best players will be signed by the club as professional footballers. In addition to that, some clubs operate nation-wide scouting networks in order to be able to attract promising young footballers from all areas of the country.

Youth Development is a significant investment for clubs and can cost between £150 000 and £300 000, sometimes even more, depending on the number of coaches and the age ranges the youth teams cover. The majority of clubs in the sample was found to operate youth schemes. The variation between clubs occurs in the importance attributed to youth development. The following interview extracts provide some examples for the different approaches clubs have taken on the youth issue:

Club 2: “ Now the competitors that we are playing, and we are in the First Division next year, so we will be playing First Division clubs whose average gate is going to be three times than what we have got. So they are going to have three times the revenue than we have got, to start with. That then impacts on the players that we can afford either to buy or to keep. I mean one of the other clubs recently has paid in a transfer fee for a player more than our total wage bill for the year, so that gives you the kind of scale that we are operating in. So there are certain battles that we can’t win with our competitors. We don’t get gates as high as other clubs and therefore where is the market the company can be competitive, where we can excel ourselves ? That’s in youth development. We put a lot of money into youth development. We can’t compete in the transfer market by bringing players into the club; we have to grow our own. Out of that comes hopefully transfer fees from players that are going to excel at a higher level than we can play at, so our main income generator is our sale of players. “

Club 16: “ We tend to have a longer term strategy in youth development than we do elsewhere, and there is a clear strategy there. Our centres of excellence have worked out on a progressive plan where initially we started with under 15’s and 16’s and in an organised business orientated way, because they have to be financed, then we’ve arrived where this year, after a 5-year planning process, we now cover all age groups in our centres of excellence. “

Club 17: “ We have a School of Excellence and we have the YTS that follows on from the school of excellence. We would like to think that we would like to have a totally home grown side, certainly in the next five years, but obviously that is not going to happen with Bosman and the foreign players. “

Club 11: “ We haven’t sold many players for much money. Traditionally, we haven’t had a very good youth policy, we developed a youth policy in the last two or three years, which is just coming to fruition, and they are expensive youth policies they are, they probably cost £300 000 this year. ”

Club 20: “ Every year we have somebody who is coming through our youth policy. We have got an excellent youth policy, we have got everything that the league say that we should have, from 11-year olds right up to YTS’s. At the moment we have two players in the team that have come through the youth policy and one of them we have been offered £200 000 for him. Although the deal fell away, we’ll sell him this year. “

Club 3: “ Youth Development is at the very top of the agenda in terms of priorities. After the Bosman judgement, several clubs have spoken of disbanding their Youth Scheme, we have done the exact opposite. We believe it to be our very lifeblood and we have pledged maximum effort and resources to the continuing development of youth talent. “

Only a few clubs have invested heavily in facilities and operate comparatively sophisticated schemes. Undertaking youth development can be quite expensive, especially for smaller clubs and there is always a certain amount of risk involved. The question clubs are facing is how much to invest in this area. Since the Bosman ruling, there have been doubts whether operating a youth scheme was still a worthwhile investment because clubs face the risk of losing players on free transfers once they become professionals, thereby losing the opportunity to recuperate their investment through the transfer market, to save on transfer payments to other clubs and to lower the club wage bill. As a consequence, one club was considering to cut back their investment in youth development. Other clubs have taken a more optimistic approach and have kept investing in the youth area. 5 clubs explicitly mentioned to have built up youth schemes for all age ranges from 11 through to 18. Apart from setting up the schools of excellence and YTS schemes, clubs have also had to build better training facilities. These clubs believe that the arrangement with the Football League that players are exempt from the Bosman ruling until their 24th birthday means that they will still be able to sell some of their young players on the transfer market. There are standards set by the FA for coaching and facilities such as all weather pitches. The FA has a general interest in helping clubs produce good young footballers because they are possibly the international players of the future. Youth programmes which meet the FA requirements are rewarded with a yearly payment of £130 000. The

next interview extracts show how clubs see the issue of FA regulations for youth programmes:

Club 1: “ We are being told now by the FA what standards we have to achieve to carry out a youth programme with a given number of kids. We have to look at these recommendations from the FA and look at the money we are prepared to spend on youth development and see if we can participate in the system or whether we will have to make the decision whether we are going to scale down our youth operation because we will not be able to fund it under existing regulations. We already have extra pitches, we’ve already put youth coaches into position, now we have to await further information from the FA and what they feel the level we should be at. Then we have to take into account whether we will be able to firstly attract the younger players because the new regulations say that the major developers can have more children and actually double the numbers that they can have. So we have to then decide whether we will be strong enough to attract players from the major clubs. I suppose it depends, all clubs will be different because it depends on the area that you are coming from and here is a quite developed area as far as football is concerned. Maybe we will step back from youth development and only bring in players from a later age because of the competition. ”

Club 20: “ If we have a qualified youth coach, if we have so many football pitches, so many teams, playing at a certain level and we are doing it under criteria which are laid down, we can identify that we have spent that money and the FA will probably come in and audit it and we will get £130 000. “

Club 14: “ Part of the youth team is run in what they call schools of excellence, here we got them starting at the age of 11. We run those in radius of thirty miles from here. That is more than is laid down by the FA and the PFA. So every year you get a fresh bunch of lads coming here and you get a roll over, some leave and others come; it costs a lot of money, it costs us, we estimate in our budget, £150 000 a year, it also gets backed by the PFA, they pay as well. It costs us £150 000 a year, which is something we never spent before, but we honestly think that is the way forward. “

Although Youth Development is generally seen as an essential activity for future development, there are also a number of risks involved, as the following comments indicate:

Club 1: “ The decision we have to make in view of the Bosman ruling is whether the youth policy as we carry it out at this moment in time can be fundable from our resources rather than be fundable from selling a player on, because that becomes an unknown because the player could walk out on us. “

Club 18: “ We run 6 centre of excellence teams which start at under 11. Now if we keep them for the full 6 years, their automatic promotion then is onto a YTS contract and then onto a professional contract. That doesn’t always work though because some of these kids will fall by the wayside. If they don’t develop at the same stage and sometimes we get to 17 or 16 and they go on to YTS, they just don’t develop at all and at the end of the two years you have to file them on. “

Club 14: “ We have a YTS scheme, we have just finished two years. They are here from 16 to 18, after 18 they have to come out and they either go or you sign them as professional footballers. So out of 15 players, how many are going to come through or be worth of a contract ? We have signed 4. We have signed them on a one-year contract. “

The risk involved with youth development is that it is near to impossible for clubs to know whether promising young players will actually be good enough to be professionals. Young footballers have to deal with many other influences in their lives which might take their interest away from playing professional football. Also, because players are human beings, their development will be different from one to the other and some will develop immensely at an early age and stop and others will develop surprisingly late. Assessing the potential of a young player is thus very difficult and extremely subjective.

It has been established that the team manager is in charge of the football side of the club. The football side includes the first team as well as the youth development scheme. Accordingly, the budget has to be divided between these two areas. From the perspective of the club, the manager should produce results with the first team and at the same time nurture young talent in the youth development scheme to provide the club with good young players for the future. This situation means there is a conflict between a short-term focus on results and the long-term focus on youth development. Both areas are equally important for the club. From the manager's point of view, the short-term performance is much more important because he will be judged by that performance and if he is not successful in the short-term, he will most probably not get the chance to find out what happens in the long-term. One club in the survey has addressed this problem:

Club 15: “ This year for the first time ever we have initiated a scheme where we have given the manager a separate budget, what we call development plan, these are players that he can buy or acquire into the club without the worry of having to put them into the first team. In other words, the board are happy to have a separate budget for players that are not expected to go straight into the first team. Now initially we have set that figure at £50 000, which is not a great deal of money and will probably pay for perhaps two, three players. There is a lot of managers that you can meet who are very worried about the youth development side of football for two or three reasons, but one of them is that the manager is out there to get results today and he lives or dies by what happens out on the field. If he is constantly being told to nurture young talent and it is coming out of his budget and he can't play those guys, he is really handicapping himself, so there is always a battle with the first team manager about how much should be spent on the youth team. “

Team managers, knowing that they will only be judged by results, focus too much on buying players from the transfer market to ensure short-term success, rather than investing

more funds into producing young players for the long-term future. The nature of the problem is that managers are given budget responsibility for a variety of areas which are believed to belong together, but which actually do have very different objectives and seemingly require a different approach. The youth development scheme and the first team do make up the "football department", but the data suggests that both should be handled independently, or at least have separate budgets set by the board. It is not useful to let a manager make decisions of that kind because he is too involved in the process to take a decision which will always be solely for the overall long-term benefit of the club.

An analysis of the environment of clubs claiming to operate successful youth schemes reveals a commonality of a certain number of characteristics. These characteristics can be said to be the underpinning of a successful youth programme. The following interview extracts provide the basis for their further discussion:

Club 1: " We try to get stability within the youth development appointments. "

Club 2: " One of our aspects is bringing families to the club, so we tend to spend a lot of time working with youngsters, talking to parents. We are now looking at a system which is a very sophisticated way of analysing videos of the game, so coaching technology, sports science, we employ about three physios here, so sports medicine, the whole concept of training, understanding medical conditions that affect young players, the development of players. We do a lot of health screening, all that type of thing. "

Club 5: " We put great emphasis now on the youth team and we have got two very good managers who run that and we breed our success by growing our own, by bringing in youths from the area. "

Club 13: " The youth policy is very important, 7 players in our squad are coming from the youth scheme, which has been operative for 9 years. We decided that we needed a training facility of our own and we have just opened that within the last three months and that is a £500 000 facility. We have the fourth longest serving manager in the country, we understand that success doesn't come overnight. "

Club 3: " We strive to ensure that all the boys who go through the Youth Development Scheme will benefit from their time with us, gaining an understanding of the need for high standards in life. We are a family-style club, we offer youth coaching attending to each trainee's special needs, excellent facilities and a high level of care and education for all young players while they are under our supervision. We strongly believe that the club is only as good as the young players coming through, our future is based on the success of the youth team. "

Operating a successful youth scheme thus requires the use of advanced coaching methods, stability in management appointments, a "belief in youth", good facilities for training and other needs of youngsters. Coaches must be qualified according to FA standards. Apart

from interpersonal skills, which are almost impossible to identify, there is the use of coaching methods. The clubs who are successful in this area use specialist video analysis equipment, carry out research into coaching technology and sports science, sports medicine and training concepts, as well as specially focusing on the development of young players. One of the clubs in question, for instance, employed 3 physiotherapists. A second important factor relates to the stability of management appointments. A distinct feature of all the clubs with successful youth schemes is that their manager has been in charge for some time, with two managers having been at their clubs around a decade and one being a product of the youth scheme of his club and in his 5th year as manager. Being able to "produce" good young players seems to be a distinct skill and clubs who found coaches with that skill have retained them and their youth schemes have been successful over a number of years. Furthermore, the youth scheme must be integrated into the club with club directors and the manager having a "belief in youth" and the structure allowing good youth players to be selected to play for the first team when they are deemed good enough. There is a big difference in the development of young players when they can see that the club will give them the responsibility of a first team place rather than forever monitoring them in reserve matches or putting them on the bench as a substitute. Clubs with successful youth schemes place a great emphasis on the "family" atmosphere at their club. All the players taking part in youth schemes are teenagers. They will spend a considerable amount of time at the club, with some of them even moving far away from their parents to take part in the scheme. Taking care of children on such a scale is a very responsible task and clubs have to demonstrate to demanding parents that they are able to provide the best possible environment. Clubs aim to bring parents and their children to the club and they spend a lot of time speaking to youngsters and their parents in order to exactly determine their wishes and requirements and to provide the best possible level of care and education. Lastly, there is the provision of good facilities, for training and other activities. Clubs have to invest in building training pitches and all-weather pitches as well as changing, teaching and treatment rooms for players. A sophisticated youth scheme has to not only provide youngsters with all the necessary footballing skills but also the study of tactics, guidance on finance, health and nutrition, and drugs & alcohol. Young players who take part in the youth development schemes may be coming from all over the country and apart from needing to be accommodated, will have to go to school or college. For example, one club offers NVQ & GNVQ college courses as part of their scheme. In short, a successful youth scheme extends far beyond football and has to provide an all-round high level of care and attention to the players.

5.6 Football Ground Developments

The football ground is the place where the core product of a club, the football match, is produced and consumed. There has been considerable activity in this area in recent years and the following selection of interview extracts provides some examples of the kinds of ground facility developments clubs have carried out or were planning to carry out:

Club 14: " Let's take the stand that we built over there, we looked at other people's grounds and said: "if we want to progress we have got to have more seats. " To an extent it is part of our on-going programme, the next thing we did was we seated the away end. What we looked at was: How many come ? Only about twice a year we do fill it. If we go for seats we can charge more money and also the safety people liked it better because you could keep them [visiting supporters] under control better. Now there is only one area left that is not seated and we won't seat that until we have to; that's the home support, they like standing. Our forward thinking is that we will have to build a new stand because when you seat an area you lose roughly 50% of the capacity. "

Club 8: " We had to look at the Taylor Report which was down to the stadium. What we had to do was to get an all-seater stadium, which we achieved, at a very high cost I might add. We did it in three phases, first phase was the one end which wasn't seated, the other end which wasn't seated, so those two were seated and then phase three was to refurbish one old stand that really needs refurbishing. Now we have a cost at the moment of something like £8m to refurbish that stand, but we have a ground capacity of 25 000 and we are only averaging 16 000. So we won't spend £8m at the moment on refurbishing that stand. If we get to the Premier League, then we will push the buttons and that will be done immediately. "

Club 19: " We have actually put two new stands up in the last 2-3 years, which comes up with the recommendations of the Taylor Report. We are further developing a stand with a sports centre underneath it, i.e. sports centre to bring in more revenue over that time into the football club. When you are building a stand, you have to say: " OK, it is going to cost £1m to build, we have got a grant of £700 000 but we are still £300 000 short. How are we going to get over it ? "

Club 18: " The ground is a burden to develop. This stand there costs £2m, that one here costs £900 000. Once it is developed, it is intended that it will actually make money. The biggest influence on any club was the Taylor Report which, despite all its shortcomings, was a good thing for English football in that the vast majority of football grounds are far more comfortable to go to, far safer places to go to than ever before. "

Club 10: " This football ground here is typical of a turn of the century inner city football ground, it holds currently 10 000 people when full, our break-even capacity is 15 000. The way that we can do that is by moving from here. The future must be to go indoors, without question, because we can't guarantee the weather. So if we go indoors we can have an event facility where the weather is not a factor. "

Club 16: " We have actually, at this moment in time, completed the development of the ground, which was very much a longer term plan and in a period slightly over ten years we totally rebuilt the stadium. "

Club 9: " The stadium, that's a major undertaking, a £40m project. We will be running a leisure business of which the football clubs operates sort of 50 days a year because we will be using the stadium for all sorts of other things because it is indoors. "

The developments football clubs have carried out or would like to carry out at their grounds have been driven by a number of considerations. The most often mentioned event which initiated ground developments is the Taylor Report of 1989. In order to comply with recommendations of the Taylor Report, the most prominent of which was the introduction of all-seater stadia, all clubs had to carry out improvements on their grounds. Of the 20 sample clubs, 13 clubs have redeveloped some of their stands or were in the process of doing so. Of the remaining 7 clubs, 3 have built new grounds and 4 had the intention of building a new ground. The scale of the various developments was to a great extent determined by the availability of finances. The Government had set up the Football Trust, funded by football pools money, and clubs could apply for grants in order to finance ground improvements. Grants would only be provided for 75% of the required amount with clubs having to find the remaining 25% themselves.

Some clubs complained that Premiership clubs and big First Division clubs had been allocated grants before them and that there was no money left for their planned developments. After the introduction of the National Lottery, pools companies suffered great income losses, the new Labour government was unwilling to further support the Football Trust financially and no more grants were available for those clubs in the lower divisions. This lack of finance explains why clubs had to defer developments over several seasons and develop one stand after another. One club has explicitly mentioned that it intended to only carry out an expensive development of a stand when it reached the Premier League and the finance for the project would be available.

The Taylor Report was essentially aimed at improving spectator safety in football grounds but it was also a welcome opportunity for clubs to modernise their facilities at the same time. Many clubs had not improved their facilities for decades with most grounds having initially been built around the turn of the century. So apart from building seated stands, clubs also improved sanitary facilities and augmented catering opportunities for spectators. The following quotes illustrate the approaches of clubs to the upgrading of facilities:

Club 13: " We have got the resources for major improvements in the ground. We spent about £500 000 on the ground this summer, which was really repairing the damage which hasn't been repaired over the last 5-6 years. "

Club 6: " We have a new ground coming on stream and we think it is important as the world moves on and society's and people's expectations move on, you need to upgrade and improve your facilities. "

Club 19: " I think these are lines that you have to do nowadays to attract supporters by new facilities. Gone are the days when people stand on a terrace and get wet through to watch a game of football. It now has to be a pleasure to come and watch football. "

Club 14: " You want to improve your facilities all the time, but football is showbusiness, creature comfort is what counts, and if you have more money you can improve on that. "

The local council can have considerable influence on football club activities, especially with regards to ground matters. The types of involvement of local councils are described in accounts of club decision-makers:

Club 12: " I have been trying for 14 years to get this council to agree to a new stadium for me without them paying a pound for it and me giving leisure to all the people out here for free. We offered to build a big leisure complex which we would fund, we would look after, for the benefit of the people in the area, they have fiddled and twaddled and have not given permission. "

Club 17: " We are probably different to most clubs in that our ground is owned by the council and we pay really for seat occupation. It is brand-new with a 7500 all-seat capacity and next summer it will go up to 11 000 which the council will build. It is a tremendous thing for smaller clubs. In fact, I think it is more of a continental model, even the big Italian clubs don't own their grounds. At the end of the day what are you doing with 2 or 3 acres of land which is doing nothing every second week for nine months of the year. At max, you are only using it 30 times a year. It is a big capital investment, our ground cost £7m to build, using something 30 times a year which costs £7m is expensive."

Club 10:" To do that [ground developments] we need a planning consent. "

Club 15: " We have really reached the capacity of what we can do as regards advertising and sponsorship and hospitality at this particular ground. We want on the ground front to be in a brand-new all-seater stadium. We haven't got our own ground, we rent the ground from the council, we need some long-term alternative, we are on a very short lease here and we need to be in a ground with a long lease. "

In most instances, local councils have to give their approval to the ground developments of football clubs. Local councils can also be the owners of the ground itself. This is the case with two of the sample clubs. In one case, this situation has had the effect that plans for ground improvements can not be put into practice by the club. In the other case, the

council has built a new ground recently and according to the club there is an additional capacity expansion in the pipeline. This club has praised the arrangement and pointed out that it is cheaper to pay a lease on the ground rather than building an expensive facility which will be only used for football matches and not generate revenue in other ways.

5.7 Marketing the Club to Spectators

Gate receipts are those revenues clubs are generating from spectators who come and watch their matches. The most significant share of the revenue in this area comes from the sale of tickets with add-ons from match programme sales and match day catering.

The interview data reveal that a football club's ability to attract spectators to its matches seems to be strongly influenced by environmental conditions such as the size of the catchment area and competition from other sporting and leisure activities. The catchment area is the area from which a club draws its spectators. The size of a club's catchment area is determined by the number of people living in a certain area and by the proximity of other clubs which draw spectators themselves. The interview extracts relating to this topic are as follows:

Club 2: " We say to ourselves, OK this is the catchment area we are in, that's the kind of local wealth that we have got locally, the population of businesses. Therefore, what constraints does that put on us as a football club ? Well, the biggest constraint it puts on us as a football club is the number of people we can actually attract to watch the game. "

Club 20: " I can't say that we are going to get 10 000 people through the turnstiles, even if we won and won and won, I can't get people because they are not here. "

The comments from club chairmen suggest that the size of the catchment area is a significant determinant of match attendance figures. A comparison of attendance figures (5-year averages) for the sample clubs with catchment area sizes (population data taken from Office of Population statistics, 1992) reveals the following picture: The average attendance levels of the sample clubs range between 1850 and 16000. Clubs have been categorised into three attendance size groups so that they can be compared according to their catchment area size. The results have been compiled in the following table 5.2 on the next page. Rather showing the individual values for each of the clubs, the figures have been combined in three categories in order to help preserve the anonymity of the respondents.

Average Attendance	No. of Clubs	Average Catchment Area Size
0 - 5000	9	128 558
5001 - 10000	8	195 225
10001 +	3	215 116

Table 5.2: Average Attendance Levels and Size of the Catchment Area

The table confirms the suggestion that clubs in areas with high population density tend to get higher levels of support because there is simply a higher overall number of people interested in football as a spectator sport.

The research data also indicates that football clubs are competing with a number of other leisure activities on Saturday afternoons, when football matches are usually played. The interview extracts below show how club chairmen perceive this kind of competition:

Club 9: “ It may be that people might just accept the gradual erosion of what's going on, unless there is a big return at some stage with society saying: we have had enough of TV and televised sport, we want to go and see the real thing. “

Club 9: “ Our biggest problem is to get kids in there, because the kids want to support successful teams and the problem is from our point of view that we are breeding a generation of supporters who are likely to watch the game on TV rather than to come to the game. We have almost had an approach to some extent of saying, support Manchester Utd as your first team and let our club be your second team and come and watch the live football. “

Club 9: “ There is only so much of the leisure pound out there and there is many areas in which that leisure pound is spent. There was a time when the working man, his only leisure was to go and watch a football match. Now he has got all sorts of areas demanding his leisure pound. If he wants to be physically active himself, he goes down to the health club, on Saturday he has got the choice: he can and watch Rugby, he can sit at home, all sorts of things. ”

Club 2: “ [competitors ?] two, really, the teams we play on the field obviously, and the competition to persuading people to do something else on a Saturday afternoon and not come here. Years ago, football had people coming to watch a football match on a Saturday afternoon because there wasn't anything else to do. Today we are competing against alternative activities that people have got: golf, family outings, you mention it, theatres, whatever. We have got to find ways of making our event more and more attractive to persuade them to come. “

Club 10: “ Our competitors in a sense are on a Saturday afternoon the team we play, every other time we are in the leisure business and we are competing for the same pound in your pocket that other leisure facilities are. “

Club 11: " Shopping is the only competitor that we have got for apathy, people just can't be bothered, they're our competitors. "

Club 18: " Obviously we are competing with someone because if you look at the population of the borough, it is something like 200 000 plus; we are attracting less than 1% of those people, so the question is where are the other 198 000 on a Saturday afternoon ? I mean a lot of them go shopping, there is more TV on Saturday afternoons now than there used to be of course, and quite a lot of them go to other football matches. The only thing that will get people to come here is a winning team. "

Club 14: " Well, looking at it from the point of view of football, of attracting the local population to come here, so if we look at that club thing, so I live in the area but prefer to play golf on a Saturday afternoon, can I get in the way of playing golf ? No, I can't because people love to play golf, I know that myself. It is very difficult because people do other things. Tennis, another outdoor activity; all these other sports have emerged alongside football in the last few decades and they are certainly taking a number of supporters away from us. "

According to the data, the football clubs in the study see themselves competing with other spectator sports such as Rugby and a variety of sporting activities, namely golf and tennis, which potential match viewers might pursue. Some clubs believed they lose potential spectators to nearby Premier League clubs and in the absence of a nearby Premier League team, sport on television was often mentioned as a competitive force. Another interfering factor seems to be that Saturday afternoon is also the preferred shopping day for a great number of people.

This next part will consider in more detail the efforts of football clubs aimed at attracting more spectators to matches. It seems that clubs differentiate between types of spectator groups. As football is the most vividly followed sport in Britain, spectators come from all levels of society and each particular spectator group has different needs. Clubs try to communicate as much as possible with all groups of supporters in order to discover what people want and how their wishes can be realised. The following data segment broadly identifies the broad categories of spectators:

Club 6: " If you take the new stadium, we tried to design it so that there is something there for everyone, different levels, from the corporate level, and the different segments from that market where you hope to tap into. You hope to cater for every segment, from the man in the street on limited income, so that he can come and watch a football match, because we want their income as well. "

Football clubs communicate with their spectator groups in a number of different ways and different approaches are used to attract individual spectator groups. The following set of extracts from the interview survey provide some accounts of current practice:

Club 9: “ When I first joined the club and probably on three or four occasions in the time of being here, we have had research with our fans to ask them their opinions on something. One time we did a research which we handed out to all the fans with an enormous response and that literally went from: “do you like a cup of tea; do you want improved facilities; where do you come from; how often do you come to the club; what do you eat; if you drink, what you drink; where do you drink; what brand is it ? “ We canvas the fans as far as this is possible on issues that we want to bring about. We have regular meetings with supporter groups and so on and we discuss things like admission prices and so on, we try to get a level of understanding. We tend to do that now more by talking to people almost on a sort of random basis, occasionally I get fans writing to me and I surprise them and say: come and have lunch with me before the game. ”

Club 1: “ We communicate with spectators on a regular basis because we have a membership scheme. We do have data of our members, people who have committed themselves to the football club have joined the membership scheme and we keep them informed on a regular basis by a quarterly newspaper which we print ourselves and distribute to all members. We also keep the town’s people informed because we put it inside the local paper. “

Club 3:” The last market research that has been done in the last two or three years was with random panels selected from our database, not just from members of the supporters club, mixtures of season ticket holders, match day attendees and so we have done some important work in that respect but it has only been done in small focus groups and we use those to evaluate a number of different thoughts. ”

Club 10: “ I always answer every letter personally, I don’t write back I ring them up. I spend a lot of time, I suppose you call it customer research, by talking to our supporters to ascertain what we are doing wrong and what we are doing right. “

Club 7: “ We have what is called a ground committee, which is a committee drawn from four sides of the ground and they engage in quite lively debates, the results of which are brought back to the board meeting. ”

In the communication process with supporters, one set of activities is aimed at collecting information about market attitudes and another is aimed exchanging information and views about operations at the club. A number of clubs have carried out formal market research and handed questionnaires to fans during matches to get their opinions on issues of interest. Some clubs select small random focus groups as an information source, others have collected data from customers in the club shop. Many clubs operate membership schemes for those supporters who wish to have a closer link. Football club chairmen are also regularly gathering spectators’ views during informal lunches or conversations

during matches. Where clubs have an adequate computer system, spectator data is recorded in databases for future uses.

Supporters can gather information on club affairs directly through organised supporters meetings held by players, the team manager or club directors. The local media often also serve as a vehicle for clubs to keep their supporters informed about developments at the club. Some clubs prefer to publish their own newspaper, which is then distributed to the community. In addition to that, a considerable number of clubs have got "club call hotlines" to provide information for supporters and on a number of occasions, clubs planned to launch their own internet site.

Communication with spectators provides much guidance for the tailoring of specific offers. Most offers concentrate on individual match tickets or season tickets. Clubs offer special reduced ticket prices for low-income groups and young supporters as well as families. The medium- and high-income groups can choose from a number of different seated areas with varying viewing quality. Clubs playing in the Second Division or lower are still able to offer standing places and club chairmen report that their "die-hard" supporters particularly favour watching matches standing up. Many football purists enjoy football standing up as they see all-seater grounds lacking the "electric" atmosphere generated at football matches. Young supporters and families are of special interest to clubs. Clubs have realised that football fandom is in many cases a lifelong pastime and the earlier the interest for the club is created, the better. Young supporters are the lifeblood for long term survival of a club. Football has traditionally been a male sport and attracting more women to matches is a potential growth opportunity. The next interview extracts provide examples of some of the offers clubs aim at youngsters and families:

Club 7: " The difference between two football clubs from the competitive nature can depend from the size of the level of support, and if you haven't got it, then you are preoccupied with improving, increasing it with various, football in the community, various schemes. This year we are tackling the problem of trying to get young people committed to this football club so that when they grow up and have children, they'll all be committed. It's a long-term strategy and so we are offering season tickets for under 16-year olds for £50. "

Club 16: " We have an opportunity where youngsters under the age of 14 can buy a season ticket for £45, that's £2 a game. We sell family tickets where every child accompanying a single adult, so he can walk along with five if he likes, he can get in for £3. "

Club 2: " One of our other aspects is bringing families to the club. So we tend to spend a lot of time working with youngsters, talking to their parents, finding out what attracts them to come, why they come, how we can make life happier when they are here at the ground. "

Club 14: " The social thing is becoming increasingly important for us, husbands and wives are nowadays doing more things together and it becomes even easier if they can bring their kids, so we have pushed very hard to bring children down here, there is now a family stand here, which I will show you, and last year a season ticket for a kid was £40. "

Club 1: " We put entertainment on for kids before matches, we have disco, we have TV, we have a big screen thing where we can get burger and chips, we have quizzes, we have face painting, we have clowns and things like that. The problem is that it isn't a cash generating exercise because you have to have really advantageous prices for them to come, but we do joint tickets for them with their parents so hopefully we do make some money via their parents. "

Club 11: " There is a desire to get people to the stadium. We give away a lot of tickets; you have got a 10-year old boy, he can go for next to nothing, because he can't go on his own, he has got to bring his dad, and his dad has got to pay. And also if you get them interested, then they might be coming back. So there is those aspects, and all clubs are doing that now I think, usually they have a junior section where they can get in cheap. "

Club 9: " From my point of view, we want to get as many youngsters interested in the club. Once you play football, most youngsters will play football but they will support Manchester Utd, so I want them to be interested in the club by whatever means I can, either by letting them into the ground for nothing or by sending the blokes out to train with them and give them coaching days. We had fan days here and three thousand turned up, if you would have come here in June you would have seen three thousand kids in the ground being trained, doing all sorts of events and hardly any of them in our club shirt, most of them in bloody Spurs, Chelsea, and Man Utd shirts, but they go away and say I did something at my local club, and maybe they'll say to their mum or dad: I want to come. "

Club 5: " The Junior Club, membership pack changes yearly and this season will include and exclusive T-shirt, Baseball Cap, Filofax, Team Poster, Birthday card on your birthday, newsletters etc.."

Clubs have a number of ways of reducing ticket prices for youngsters. Before and during matches some clubs put entertainment on for young supporters. There are official supporters clubs for other supporters, with special Junior and Baby supporters clubs for the younger age groups. Ground facilities have been upgraded to suit youngsters and families; many clubs have introduced designated family sections at their grounds. Many clubs also hold open days at their ground where children can get to know players, the facilities and have a free coaching session. The community officers employed by clubs are directly involved with local schools and the next set of extracts from the survey relate to this activity:

Club 9: " At any given time, we might give out a thousand tickets to local schools for the kids to come under supervised groups. Maybe they will play five-a-sides in the morning and we will put up some lunch for them and they will watch the game in the afternoon. "

Club 16: “ So for instance the community scheme at every match will bring along 200, at times as many as 500, at no charge, but ultimately we only can go forward if we get revenue and therefore it is a very fine balance of encouragement and rewards and at the same time financially realistic. “

Club 7: ” Football in the community, a staff of five, visit 130 schools in the area on a regular basis. They carry out coaching, hold quizzes, take the football club to the school and that is being remarkably successful. ”

Club 5:” I mean a lot of people get involved with the club through children. For instance, a couple of weeks ago we had an open day at the ground and we had 5000 people come through the gates just to see us play football and do all sorts of things. ”

Club 19: “ The PFA have brought out, I think 6-7 years ago, the football in the community scheme. What a great way of bringing football into the town. They go round all the schools and do one thing or another, we can take free tickets from us or incentives that if their local school team gets to a certain position they can come into a game. It is promoting football all the time. ”

5.8 Marketing the Club to Sponsors and Advertisers

The corporate supporters of a football club, the sponsors and advertisers, are analysed in a separate section because a number of additional issues are relevant to this subject. Sponsorship and advertising are important revenue sources for clubs. A football club receives a lot of attention from local members of the public and the media alike, thus creating the perfect platform for sponsorship and advertising arrangements.

Clubs have created a variety of forms of sponsorship in order to provide every potential sponsor with a sponsorship offer that fits the desired level of sponsorship: club, stand, match, match programme, ball, kit, and car sponsorship. For individuals there are a series of clubs to be joined alongside other schemes, the most prestigious one being the award of the club presidency or vice-presidency. Advertising opportunities include ground perimeter advertising and some other highly visible areas within the ground as well as match programme advertising. Clubs are aiming to establish close links with their sponsors and many have created designated clubs for sponsors where ideas can be exchanged. The following quotes are accounts from the interview survey referring to how clubs interact with their sponsors:

Club 1: " The major sponsors, we do keep in close contact with them, not necessarily on policies for the running of the club but on policies relating to how we can service and treat their activity and input into the club. "

Club 2: " Our marketing manager spends a lot of time understanding what sponsors and advertisers want and tries to work with them to get them for example those kinds of facilities they want here. "

Club 3: " We have an executive box holders club. They have meetings together with our commercial department and they discuss either with them or with me if they want changes that they would like to see or improvements or whatever it is. "

Club 16: " As part of the campaign, what we are setting up with our major sponsors is a partners club where we are going to meet once a month, certainly to talk over business issues with them, because again, what we recognise is that we aren't in all aspects the best brains to come up with all the right ideas and this football club's survival is all based on growing it's financial base. "

Club 12: " What we have is an executive club and part of that are usually the senior businessmen in the area. Twice during the course of the season we have a meeting with them, we give them a buffet and drinks and then sit down and argue with them and ask them whether they agree with what we are doing, what points they would like to comment about. "

Club 6: “ [sponsors], we listen very closely to them, we like to work closely to them and we like to have feedback both ways. They are important to the club and we treat them with that kind of importance. “

Club 19: “ We get sponsors come to the ground and do this, that and another, I mean, if they have anything to state we will listen to them. A sponsor is also a supporter with a right to have a say and we do listen to that. “

Sponsors are invited to co-operate with the clubs in the creation of adequate facilities for their needs. The next set of interview extracts provides an insight into what kind of facilities clubs are offering their sponsors:

Club 1: “ The major sponsor this season, because we had such a great demand for our hospitality, has relinquished one of the rooms that we shared with the board room club members and we'll find them alternative accommodation within the stadium. What we have done, we have made it into an add-on benefit because we have provided him with his own designated facility, so we now give the main sponsors sweeter rooms where they are totally independent and away from everyone else where he can entertain his guests, entertain his customers, entertain his employees without coming into contact with the other shirt sponsorship, which tended to happen previously. “

Club 2: “ If [sponsors] felt that they could make more use of the football club by bringing customers and so forth, they have done. We built an executive restaurant at the back of the goal, we have a big sponsors lounge there that we developed really to enable our commercial supporters to do the kinds of things that they want to do on match day, to make it more attractive to them. ”

Many clubs make great efforts to provide special areas for sponsors to relax while being at the club or to entertain guests. Typically, a club would have a designated sponsors lounge with bar facility and maybe an executive restaurant.

The revenue levels a club can generate from sponsorship and advertising seems to depend on a number of environmental factors. These factors can be identified as the playing level, the performance of the team, the overall level of potential sponsors in the catchment area, facilities at the ground and the specific conditions under which the football industry operates. The playing level of the club, meaning which division it plays in, determines in broad terms the pricing policy for sponsorship and advertising. Clubs in a higher league can ask more for shirt sponsorship or putting up advertising boards. Within a division, information exchange and market forces ensure that prices stay within a certain range. The next interview extracts describe this environmental condition:

Club 1: “ The football determines the expansion on the commercial side, i.e. raising the prices if you are in a higher division for boards, for match sponsorship, for matchball sponsorship. “

Club 17: " If you look at the marketing of a small football club, it is season by season, it is amazing how if you are successful, you suddenly get a lot of offers for sponsorship and when you are at the bottom, nobody wants to know you. It should be the opposite way around, when you really need the money is when you are at the bottom and not at the top."

Club 20: " I think we can improve our commercial income, but I think to do that we got to do well because people want some profile. When we go on TV, people are prepared to spend money because they can see their name and their company on TV, and if we could get more people through the gate, then we could automatically get more income. If you turn to a businessman, they say: what is in it for me, are you on TV, in the papers ? We even get people who say: look, I'll sponsor this at £10 000 and if you get a good cup run it goes up, and if you get promoted it goes up a bit more, and if you get on TV it goes up again. So even the people who want to support us, are success related. The only way we can make a profit is by performing well. "

The playing level has a great influence on the amount of television coverage a club receives. Premier League clubs and First Division clubs to some extent receive weekly national coverage. Regular television coverage means that sponsorship and advertising reaches a much wider audience which in turn allows clubs to ask for higher prices for their service and to attract bigger and more financially potent businesses who wish to get advertising or sponsorship impact on a national scale.

The performance of the team refers to recent and present form of the team. Sponsors and advertisers want to be associated with "winners". After a successful season where a club has enjoyed a lot of attention within its local environment and positive media coverage, it will be comparatively easy to find sponsors and advertisers. This means that clubs get the least money when they need it most and when they are successful "people are queuing up to throw money at them", as one chairman put it.

The following two comments from club chairmen illustrate how football clubs are limited in their revenue earning potential by the advertising opportunities and facilities they are able to provide at their grounds:

Club 15: " The particularly annoying thing about the situation that we find ourselves in at the moment is that we would like to make long term plans for the commercial growth of the company, but we have really reached the capacity of what we can do as regards advertising and sponsorship and hospitality at this particular ground. We have reached capacity, we've almost reached capacity for advertising signs, the sales of the programme and therefore the advertising revenue are limited by the crowds that we get, the crowds are limited by the size of the ground itself. "

Club 20: " We are trying to squeeze ground boards in places where you don't really see them and charge them £500 for it, we spend a lot of time on that. "

The fact that Football League match schedules are predetermined for every season puts a certain element of time pressure on clubs. Clubs have to follow strict dates as to when to stage their games and they only have a one-off chance to get sponsorship for them. If sponsors or advertisers cannot be found in time for a particular game, this loss of revenue cannot be recouped. The product "football game" has a sell-by date, the following comment from a chairman identifies that pressure:

Club 10: " One of the problems with running a football club is on the commercial facilities you have 26, maybe 28 if you well in the cup, event days. If we have a game on Saturday afternoon and we don't sell an executive box, you can't sell it on a Monday, so it has got finite periods in which to do it. "

The clubs in this study are predominantly supported by local companies because the focus of attention for the smaller clubs is very local unless it enjoys an extraordinary cup or league run. The next set of interview extracts outlines the pressures clubs are facing in their search for sponsors:

Club 20: " Our problem is the population of the place. I know what is available in this town, and I know what companies are prepared to spend and I think we do remarkably well from the companies when we compare ourselves with bigger cities. "

Club 16: " The commercial department was given the target to increase by 50% its small business sponsorship, we, as a third sector, targeted all the local authorities, whatever shape they may be, the county council, the city council, the health authority, the university. "

Club 17: " An additional complication here is that it is a major rugby town with a Premier League side. At the sponsorship level, we are competing on very similar ground, obviously some people like rugby and some like football, what you want to catch are the floaters in between that will support whoever is doing well at the time. "

Club 11: " Our sponsors are good sponsors, but I think they are putting a bit back into the city where they are based. Before, we had another company, who again are big employers in the city and they have given a bit back I think. "

Club 20: " Businesses are either prepared to involve themselves in football or not involve themselves in football. We have no catchment area, so it is very difficult for us to improve our commercial income any more than say 10%. "

The number of companies a football club is able to attract as sponsors or advertisers is to some extent determined by the overall number of businesses within a club's catchment area. Clubs generally consider local companies of all sizes as potential sponsors and advertisers. Those companies are contacted regularly by the clubs and the available

advertising and sponsorship opportunities are presented. Club commercial managers do play their part in securing sponsors, but in the main, the willingness of local companies to support the club depends on their own performance and the willingness of management to support the club and football in general. In some areas, football clubs also have to compete with other sporting organisations for the available advertising and sponsorship budgets of local firms. Apart from local companies, clubs also target local authorities as potential sponsors. One club in the survey had a sponsorship arrangement with the local council, on two other occasions the council was involved with the club through ground ownership and twice more the local council was mentioned to have been involved in at least one instance with providing facilities of some sort for clubs. The involvement of local authorities is dependant on the willingness of its officers to get involved with the football club and on the financial situation of the authority. Many councils are out of money themselves and couldn't help clubs even if they would like to.

Sponsorship and advertising deals can be very short-term such as for example a match sponsorship or be spread over 1, 2 or 3 years. Clubs ideally want to link up with sponsors for longer periods and the following comments show that clubs seem to put considerable effort into extending sponsorship contracts:

Club 15: " We are working hard to make those 1-year deals into 3-year deals. The good thing about doing that is that it saves you a lot of time at the end of each season, that you haven't got to start chasing for a new sponsor every year, which is the situation we have been in for several years here. "

Club 14: " We do sponsorship deals for three years. The major sponsor is a local furniture firm and it is a 3-year sponsorship and we have several other 3 year deals. "

All clubs in the lower divisions are aware of the level of sponsorship revenue which can be generated at the top end of the industry in the Premier League. At this level, the financially more potent national companies are the sponsors. In the next interview extracts, club chairmen describe how difficult it is for individual clubs at the lower end of the industry to attract higher levels of sponsorship:

Club 17: " [The Football League] can get national advertising. If you look, the thing that all small clubs complain about is that they can never tap into the national companies. Where do you see a major employer in the town support the local football club ? Because they can't bite into their marketing department at a high enough level. If they could get in at director level, we would do well out of it, but we can't. So the League itself should do that. I don't mind sharing the sponsorship with every club in the League, I'd rather have £2.5m from Carlsberg going to the Football League and we are going to get 1/72 worth. You see, it is impact, the small clubs can't get impact. "

Club 18: “ We get a certain amount of money from the Football League, which is an amalgamation of TV rights, block advertising, which all goes into one pot and then is distributed on a monthly basis to the clubs, the First Division gets a bit more, the Second division gets a bit more than the Third. Financially [the Football League] are in the business of selling the Football League and its 72 clubs, they are far bigger themselves than any one club and they are the ones who can sell the TV and radio rights and get the big sponsors like Nationwide and Barclays. “

For most smaller clubs, the only way to attract big national sponsors is through the Football League. The League as a whole is national in scope and currently there are a number of sponsorship arrangements with bigger companies such as Nationwide Building Society. The revenue from Football League sponsorship is distributed equally to all member clubs. Clubs have been complaining about the lack of coverage of Football League matches on terrestrial television. Regular League matches are currently only shown on one channel in a programme slot after midnight. If small clubs want to get on TV they have to rely on having a cup run. Apart from hoping for a change in programming schedules and programme formats for Football League matches, some clubs are pinning their hopes to the introduction of local cable TV, which they hope will benefit the clubs by creating increased local interest in the club and providing the club with more air-time.

5.9 Merchandising

All the clubs in this survey had merchandising operations. The data shows that there is variation in the types of operations clubs were running and the following interview extracts provide an insight into this field of activity:

Club 8: “ You can upgrade and we are certainly have done a lot of upgrading in the merchandising because that is an area again where you can plan. We have totally refurbished the club shop and we are looking at opening multi-sites to sell our merchandising here; so that will be a chain of shops through our area where we have a high population of fans. “

Club 7: “ Certain shops in the borough will be handling our kit. “

Club 12: “ We have increased our merchandising; we built up two shops and are starting a third one now. We say that for every supporter there is a brother, sister, mother, father, and they all want to buy them presents, shirts and stuff like that. We are retailing them [club shirts] ourselves, we don't need shops to sell our stuff and this means that we retain the income, the profit, and we keep the prices at the lower end and you will find that our shirt is cheaper than everybody else's and yet they are better quality. As far as we are concerned, true value for money is what they should be getting. ”

The merchandise items clubs are selling range from club kit and training gear to leisurewear, children's clothing and souvenirs bearing the club logo. The club shirt is, in the majority of cases, the most sold item. Most clubs operate a club shop at their ground and the vast majority of sales are made to spectators on match days. Some clubs mentioned that they are selling their club shirts through sports goods retailers in their local community. A few other clubs produced mail order catalogues for their merchandise in order to expand their customer base further than just match spectators.

A small number of clubs have extended or were planning to extend their merchandising operations. These clubs have opened or were planning to open their own retail outlets in shopping areas of their community. Through this undertaking, clubs are hoping to be able to sell merchandise on a every-day basis and to an increased number of people. Another opportunity arising from this expansion is the possibility of moving into closely related retailing areas such as sports goods retailing. The scale and scope of a club's merchandising operation is influenced by a number of environmental pressures which will be identified in the next interview extracts:

Club 14: “ If you go around town you can see kids wear our shirts. We have done well on the sale of shirts, particularly when the club has been successful as it has done, on three

occasions we have been to Wembley in the last three years, that's when you sell the shirts, when you get 35 000 to watch you. That's when you wonder what happens to the other 30 000 in the league games when only 5000 turn up, but that happens everywhere. If you get to the play-off finals, that's when your commercial side does very well. "

Club 12: " With the assistance and the input of SKY, that has increased our merchandising. It enhances the ability for you to sell your product. "

Club 18: " The success of the club depends entirely on the success of the team. If the team is successful, the club will be successful; it has a knock-on effect all the way down, it has a knock-on effect on the commercial department's ability to raise money, it has a knock-on effect on the club shop, it has a knock-on effect on sponsorship, advertising, everything. "

Club 16: " It could be argued that a lot of our football, our income is non football-orientated income. In fact, the reality is it is all football-orientated because like our shop it is generated by income that mainly comes from our supporters. "

Club 9: " If I had Manchester United, and Manchester United I am sure do do it, I would love to say at Christmas we do club bottles of wine, with a club label on and things. The problem is we can only sell half a dozen cases of it, Manchester United can sell 50 000 cases. I think the area that it needs with football clubs is something that we are trying to promote: The bounding together of the football clubs to get their buying power. If 20 clubs get together and say we are going to buy the red wine and instead of 60 cases it is going to be 600 cases, by definition you should be able to negotiate a better deal. But to bring together that number of clubs, to do that sort of thing is extremely difficult because they are all run in different fashions. "

Merchandising revenue seems to be to a great extent dependant on the success a team can achieve on the field of play. Success means increased attention within the local environment which can then translate into increased sales. This is the fundamental reason why Manchester United, the most successful English club in recent years, has the biggest and most diverse merchandising operation in the industry. Those clubs in the sample with the comparatively more developed operations were in the First Division and had the two highest attendance figure averages.

The rise of televised football could be said to be an underlying influence factor on the sale of club shirts by the smaller clubs. Football on television is predominantly from the Premier League or from European Cup matches involving Premier League teams. This development has created a supporter base throughout the country for many Premier League teams. Young people are now far more likely to be interested in the game through television and it might be cheaper and easier for youngsters to follow the exploits of a Premier League team on television than to go and watch the local lower division side play. The shirts of the big Premier League sides are available throughout the country alongside those of the local teams and unless that local side can capture the imagination of

the community with an inspiring cup or league run, more and more young supporters will opt to support the bigger clubs. The following quotes illustrate how merchandise sales are tied to club support and that the pressures clubs are facing in attracting the support from youngsters also impact on their ability to sell merchandise:

Club 20: "One of the things that has happened at this level is that at one time, people wanted to wear our shirt and you sold very few Manchester United shirts across the town. With the development of Sky TV, and football on TV in general, the country is really getting smaller in terms of communication and so on. Our brand has become worth less."

Club 9: "We had fan days here and 3000 turned up, if you would have come here in June you would have seen 3000 kids in the ground being trained, doing all sorts of sporting events and hardly any of them in a club shirt, most of them in bloody Spurs, Chelsea and Man Utd shirts."

One club in the survey described a situation where a commercial decision relating to a feature of the club kit could not be implemented due to intervention from the Football League:

Club 9: "3 or 4 years ago I got through that we should be allowed in the Football League to put names on the shirts, you know, squad numbers. It went through, the following season I was caught completely unaware because I didn't know it was coming up, that the director of one club didn't like it. He got confused. He couldn't understand it. For him the number 9 was the centre forward and the number 5 was the centre half; And they voted through that we should stop it. I said: I want to put the name on the shirt because we can sell more shirts to our fans, the fans identify with certain players, they want a shirt that says Carlos Sabre on the back of it because that is what Carlos Sabre runs around in on the bloody pitch. If Carlos Sabre has got number 55 on his back, does it matter? You know because we don't want to change the numbers every week because the team changes, the Premier League have got it, when you watch the World Cup they have got it, when you watch the European thing they have got it, anything on televised sport you have got the names on the shirt and we haven't got it. And it got turned down. And you pull your hair out and despair on it."

In this case, the club believed it could sell more club shirts if it was allowed to print players' names on the back and allocate specific numbers to players for the duration of a season. This common practice in the Premier League has not been introduced in the lower leagues and regulation changes of that sort have to be approved by a majority of the Football League club chairmen, which meets once a year every summer. The proposal on this particular issue had not been voted through by the committee of club chairmen and the club is bound by that decision until other clubs come to change their stances and review the issue, which has been done since the interview survey was carried out and players' names have been printed on club shirts in the 1999-2000 season.

5.10 Other Commercial Operations

Football clubs have embraced an impressive diversity of commercial ventures. There is an abundance of data concerning this issue and for a better understanding, accounts have been broadly categorised according to the nature of activities. The first group of activities revolves around the usage of the ground facilities for purposes other than football. The second group of activities is much more diverse and includes activities which might require expansions of ground facilities or which are not directly related to the facilities as such. The second part of this section will explore the sources of ideas for the activities clubs are engaged in, with the data being categorised into internal and external sources. In the third and final part of this section, the influence factors on the decision-making relating to the identified activities will be outlined; the data will be categorised according to the nature of these influences, the need for sporting success, financial considerations, management expertise and the size of the catchment area. The data presentation will start with commercial activities based on the use of ground facilities:

Club 9: "My view is that the solution is for us to make a quantum leap to get on an even footing with the bigger guys and that is the indoor stadium. The sort of things that I have said to people is that the stadium has got to have TV's in the back of the seat like on an aeroplane, I want to be able to see action replays of the game and if little Jimmy, who has come along, doesn't like football he can switch to another channel and watch Mickey Mouse or Clint Eastwood or whatever, or he can watch a review of the Ice Hockey game that took place two nights before or he can watch Eric Clapton play the guitar who was on two weeks ago. Because I want to constantly promote the other side of it."

Club 15:" The sort of model that we would like to go for where we are not only providing better football and entertainment, but for two reasons, a) getting the community involved because it is a good thing to do, b) it is a source of revenue, if your ground is used every day for something and money is changing hands it must lighten the burden."

Club 16: "One of the problems we have, and that we put a lot of thought to, is how do we generate more business from the stadium. People come up with all kinds of commercial ideas, like I'm always getting people either writing to me or ringing me telling me we should be having concerts, for instance. My attitude to that is clear: we can provide you with the venue, we can provide you with all the necessary catering and bar facilities."

Club 10: "Football inherently does not make money. The way we change it is that we are going to alter our core business long-term from football to leisure because we are competing in the leisure market. The way that we can do that is by moving from this ground. In order to make our facility work we have to make it multi-purpose, because we can't guarantee the weather. So if we go indoors we can have an event facility where the weather is not a factor. In order to facilitate my dream of an indoor stadium I had to invent a moveable football pitch, which I have done. By doing that we can in theory have a pop concert on a Friday night, take the stage down afterwards, bring our football pitch

in Saturday morning, play our football game Saturday afternoon, take it out Saturday night, set up on Sunday for, let's say for an exhibition for a week, and run our facility like that so we can make our facility work. "

Club 17:" I think we should share a sport, I do believe that on the long run we will be sharing facilities with the rugby club, it may not just be rugby, I mean I like the continental model where all sports are channelled through the league club. As far as I am concerned, we ought to have all sports under one roof supported by the local council. "

Club 12:" Our long-term aim is quite simple; it is that we have to get more money from the income, but not necessarily from the turnstiles. My idea to increase the gate over a longer period is to get a new stadium, to create more sport within that stadium, indoor cricket, bowls, squash, tennis. The idea is that if I can get people involved in cricket, tennis etc. and let them pay for their activities and enjoy it, they are contributing a percentage to the income of the football, they will associate themselves with the football club and at the same time that will give a benefit to us. "

A number of clubs have been found to share their ground with the local rugby club and on one occasion the rugby club had been taken over altogether by the football club. Those clubs which intended to build indoor grounds were hoping to be able to stage a variety of other sports such as ice hockey or basketball as well as other events ranging from exhibitions to concerts. Clubs hope to make their grounds produce more regular income rather than just from home matches of the football team, which only occur at weekly intervals at the most and only during the football season.

The next set of interview extracts provide accounts of the more diverse activities clubs were found to engage in:

Club 16: " Our bar and catering side obviously has to match competition and we have to find our niche in the marketplace and certainly we would be the last people to say that we have totally discovered our niche in the marketplace, but it is much more for private events than it is trying to compete with the large modern public. We've had an application to the lottery to turn that into an all-weather sports area and it fits in where, a lot of all-weather surfaces tend to fail because they need to be run and they need to be run from an outside element. Here, during the day we are fully manned, we need to add very little management for running an area like this, and of course the big benefit will be that apart from, yes we will make money from letting it, but the main intention where we will make money is using the bars and catering around this football club that are fairly high standard, seven days a week.

Club 10: " In addition to our new ground, we are going to have on our scheme, 250 000 square foot of leisure, which will be night clubs, bingo, bowling, restaurants, casino, hotels, etc. Now what that will do, it will produce a steady stream of income and it would generate people on the site; we will also make one of our stands as classrooms for the university, that's the long-term plan. "

Club 11: " At the ground, there is a pub, there is a night club, there is wedding receptions, the executive facilities, there is a betting office, there is a cresse, all facilities down at the ground, they are all there. "

Club 11: " We have the aim to maximise the use of physical assets at the ground. Diversification away from association football was seen as a key plank in the strategy of the business. Capital investment was made to the rear of the main stand in the form of: new club shop, offices, retail space, 7-day public house, upgraded night club, executive suite with restaurant facility. All these facilities have brought additional income to the business, critically at times when no football is occurring." (Internal Strategy Document)

Club 5: " The new stadium is not only going to be a stadium, but also a conference centre which will take 750 delegates and a banqueting suite which will take 500 guests. The position is out of this world, right by the motorway, and so therefore one would suspect and hope that a lot of big enterprises will use the stadium to carry out their conference. "

Club 12: " We had enough money to invest in a night club, we invested in a training ground, which we converted to make uses of during the day for conference and other facilities and for the week-ends for night clubs and other sources of income, which once again enhanced the ability to produce good income. "

Club 7: " Commercially the lottery extends far beyond the club shop; we have a cash line, we have scratch-off lottery tickets sold in various places around the borough. We now actually have a lottery manager whose job it is to maintain numerically the number and increase them. "

Club 8: " We started something with a local building society and we have an actual 1% turnover of an actual savings account that we started with them. "

Club 13: " The lottery side seems to be doing quite well, we seemed to have pulled quite a lot of people back that we lost to the [national] lottery in the first place. "

Club 14: " We have a promotions manager here; Now he is the one who suffered most recently because he used to run a very successful lottery. The [national] lottery has hit us badly, like everybody else. "

The kind of additional facilities clubs have built or were planning to build as part of their grounds are mainly aimed at providing other sports, leisure, hospitality opportunities for the wider public. Clubs are also aiming to attract other businesses or local authorities to their premises in the hope to increase human traffic at their grounds and to generate revenue from renting out facilities.

Offering other sports facilities seems a logical development step. Clubs in this study have located fitness centres, bowling alleys, tennis and squash courts, swimming pools and all-weather pitches on their premises. The leisure facilities clubs intended to run, include in most cases restaurants and bars, but also night clubs and bingo halls. One club had the ambitious plan to build a casino and hotel as part of the ground complex. These activities

are targeted at the general public and the declared aim is to compete with other such locations in attracting customers every day of the week. Hospitality facilities aimed at the corporate sector include the provision of conference and exhibition facilities as well as function rooms and banqueting suites for corporate gatherings of all kinds. A few clubs have decided to use surplus space at their grounds to attract other local bodies to the ground; it was mentioned that clubs intended to rent out space to other businesses such as for example betting shops or sports goods retailers or for offices. In a couple of cases, clubs did provide rooms for local bodies such as universities or social services. Aside from the rental revenue, such efforts attempt to establish the ground as more of a focal point for everyday community activity, which will have the effect of providing potential customers for the other facilities at the ground. One other traditional revenue source of clubs is their lottery and scratchcard schemes. Income from this area is not directly related to the other operations of clubs, but sport and gambling have traditionally been closely linked and football clubs have for a long time filled a gap in the gambling market by running lotteries. The lottery activity is ideal in nature for football clubs because it promises good profits with relatively little initial financial commitment. The environmental development which has most damaged the revenue earning potential from lotteries has been the introduction of the National Lottery in 1996. As a result, the revenues from lotteries have at many clubs been reduced to a fraction of their former levels.

The next data section focuses on the origins of ideas for commercial activities, starting with internal sources:

Club 9: "I say to [the staff]: improve what we have got, reduce our costs and come up with new ideas and every so often someone comes up with a new idea."

Club 1: "We recently launched a new scratchcard for which the initiative was provided by a member of staff; we have brainstormed it with the commercial manager and the marketing manager and myself and presented a package, which I recommended to the rest of the board, which was approved. Most commercial initiatives, are done in that way."

Club 3: "Our whole philosophy revolves around the words continuous improvement. Everybody is encouraged to do that, they are encouraged to exchange ideas, both amongst themselves and in different interviews, talks with me, on how to improve things; they have budgets for a start, they have targets that they have to exceed or are encouraged to exceed every year."

Club 18: "What we tend to do, which we have recently set up with the commercial department, because our commercial manager just left and we have reorganised the thing, what we have proposed to do now is to have regular commercial meetings once a week where we toss around ideas to basically improve the income structure of the club and

hopefully we can fire ideas at each other. I mean this would be basically the managing director, the marketing manager, the lotteries manager and the merchandising manager, just firing ideas at each other and then putting them into operation and then discuss them as the thing goes on."

Club 8:". We have a financial director who overlooks the finances, we have a commercial manager. I think all these ideas are formulated by these people in each one of these positions within the football club and then are put on the table at a board meeting."

According to the research data, ideas for commercial activities can originate either from within the club environment or from outside sources in the industry or social environment of clubs. Within the club structure, ideas have been found to be generated by club chairmen, the functional managers or other members of staff. Ambitious ground development projects have often been dreamt up by club chairmen who also seemed to have long-standing experience in the property development sector. At some clubs it seems to be the responsibility of the functional managers in charge of individual departments to generate ideas for improvements. There also are a number of accounts in the interview data where ideas have been generated by lower level members of staff. Some club directors therefore reported to actively encourage all members of staff to provide ideas for improvements.

The next data segments outline the external origins of ideas for club activities:

Club 15: " We do surveys of other clubs' commercial activities but you have to remember that we have a commercial manager here and a marketing manager here and they are both members of the commercial managers association, which is a Football League and Premiership association where they freely exchange ideas. It's not, I don't think, a question of: I have got a very good idea, I'll hang on to it; they do tend to exchange ideas, so we make sure both our guys are members of that association, there is a lot of input from there."

Club 3: " We co-operate with lots of clubs, I am very happy, I am very friendly with a lot of them and so are our officers at different levels. So if we want to share information with a club, you know, about commercial areas or safety areas or pitch or whatever it may be, we are very happy and we are very co-operative. "

Club 10: " We do share information, the chairmen all meet and discuss things, the commercial managers have their own association where they meet and discuss, the football managers have their own league managers association that meets, so there is a lot of synergy. "

Club 14: " Arsenal do not have a benefactor, nor have Manchester United; they are great, especially Manchester United by their achievements on the football field and by their commercialisation and marketing efforts. This is what we try to emulate in a small way here. "

Club 14: " The commercial manager sends out mailshots to all the supporters, we have got them all on the computer. They have given us some guidance on how to build the new stand. We asked all our supporters what facilities they would like to see in there and it was useful without doubt. We do send out questionnaires from time to time and it doesn't only cover stands, it covers clothing, replica shirts, other things that we market. "

The outside sources providing ideas for commercial development are often other football clubs, but suggestions generated by supporter market research exercises have in some cases also been successfully implemented. The frequent information exchange between all members of the football industry is the main source of ideas for clubs. Football Clubs are constantly in contact with each other through the playing of matches against each other, news in the industry is reported in the press or on television and there are several other formal and informal occasions such as discussions, the annual chairmen's meeting, the association of team managers and the marketing managers association, where club officials of all levels get together and exchange their experiences.

It can generally be observed that ideas are spread throughout the industry by the clubs themselves and the media, but a great deal of those things that clubs do, can be seen to be practised elsewhere and clubs have merely adopted them for their own purposes. The interview data shows that small clubs look to the industry leaders in the Premier League for inspiration and developments which they might plan, such as for example the development of other sports and leisure facilities at their grounds. Other types of activities, such as for example the provision of a creche at grounds, have often been introduced on the basis of feedback from supporters.

Certain activities can be traced back to either the same industries in other countries or to individual features of football club operations which are common to other sports or even seemingly unrelated business spheres. Building an indoor football ground is an innovative undertaking in the UK perspective, but this development does follow a trend for covered grounds which have existed for a considerable time in the United States, where a number of matches of the 1994 World Cup have been played in so-called "domes". The concept of establishing the football club and its ground as a sporting centre for all members of a community with a whole variety of sports on offer has been in operation for some time in several European countries.

A variety of different factors which constraint the successful undertaking of commercial activities have also been mentioned in the interview survey and this last part of the section

aims to outline these influences. The first set of quotes is concerned with the issue of sporting success:

Club 9: " If you like, terms of an ongoing strategy, what one would be looking at is to say: well OK, what other areas are there that we can add to this ? But to be absolutely frank we are struggling a bit because you can get a business going so far but there are actual limits to what you do at the club until you get enormous success on the pitch. "

Club 12: " What we have to do, we have to produce the goods, and if we don't do that then the people who come along and sit in their restaurants, in their bars, it has the effect that it doesn't sell for us, so we have to balance both, it is like anything, if you have got a company that sells its goods but they are not good enough, then it doesn't keep selling, so you have to produce the goods that create one entertainment. "

Club 8: " It was more difficult to do commercial-type planning with football and I tell you the simple reason, a lot depends on how that football club is doing on the field during that year. "

Club 8:" There is extra revenue coming that would be very difficult to plan for because it really depends what division you are in and how your team is playing at the time. "

Club 13: " Obviously the football side of the thing influences what the commercial side do; on the shop side of things we tend to go on historical records because that's really the only way we can order from there at the moment. "

Club 14:" Every year we produce a budget. Targets are set for income and spending departments. There are so many factors on the way which can affect it, the biggest thing that can affect it is bad results on the field. "

The second set of quotes in this part is concerned with financial issues:

Club 15: " The average Third Division club loses a quarter of a million pounds and you have to say there are certain constraints; your choices are very very limited. We're not in the business of saying: so this is a brilliant idea so we'll do it, it's totally useless for a Third Division club. "

Club 16: " We are not a cash-rich business. Inevitably we are always looking for partners or something because we can often provide the management, the expertise, the time; we often need someone else to provide the finance."

Club 10:" First, we need a planning consent for our new ground; we have got our planning we need to make sure we acquire the land, when we have done the land we then need to get the funding; so you can only really do that in that order. It is bit like domino, you knock the first one over and the rest will follow. "

Club 4: " The biggest thing at the moment is getting £24m for the new stadium. "

The third issue explored is that of management expertise:

Club 16: " We can't put on a pop concert. Our main position is to supply the venue, that's what we are good at, that's what we know how to do; we don't know how to set up a pop concert. Under the newest stand for instance, under there as part of a commercial deal there is a commercially run fitness centre. Again that brings people down to the football club seven days a week and gives us added-on business and of course there is an income coming from leasing out that area. We are not the people, we just haven't got the expertise to run a fitness centre and I believe that's the way of doing. "

Club 11: " The diversification, although offering welcome revenue, brought management challenges that were grossly underestimated. The major cost wasn't in financial terms, but in absorbing management time, who hadn't the experience in managing a building project of this size. " (Internal Strategy Document)

Club 5: " Our facilities, we are franchising the facilities for the first three years, the banqueting and everything, it is the safest to do that and then we see how it works out, we obviously get a reasonable return by doing that. "

Club 12: " The important thing is that once you get a good management staff around you is to make sure they are trained properly."

Club 8: " We have brought in better quality people and also chief executives who take the weight of people like myself, who don't get paid a penny for doing it, who do it for the love of it and probably don't spend enough hours at it to do it properly. "

The last comment from the interview survey addresses the relationship of a club's catchment area and commercial activities:

Club 20: " By absolutely switched on top class management we can improve that by probably £20 000 because the difficulty that we have got is that are only so many people in our town and those people have only got so much disposable income.....so it is very difficult for us to improve our commercial income any more than say 10%..

Amongst the factors identified by the data relating to the club environment, the availability of financial resources, success on the field and management expertise emerge as the most important. Factors originating in the wider social environment are the public demand for sports and leisure activities in the catchment area of a club and competition from other already established or more powerful businesses for each individual type of activity. Availability of finance seems to be the main hindering factor. Any commercial venture requires capital, especially at the introduction stage, and the best plans are of little use if the funds for their realisation are lacking. Most clubs at the lower industry level are

in financial difficulties and can only generate additional funds through success on the field, which is impossible to plan for. Success on the field is required to support those activities whose commercial success is dependant on the spectator levels a club is able to attract to their ground. On-field success also has the advantage of focusing media attention onto the club which can then potentially be used to promote club facilities to a wider audience. Furthermore, the operation of commercial activities of such diversity requires considerable management expertise and staff training. Running a leisure complex or a restaurant is very different from running a football club and clubs have to ensure they build up or acquire the management competence to successfully operate in these areas. One club has revealed that managerial problems of this kind had arisen when commercial expansion projects were carried out. Another club has opted to first franchise its new conference and banqueting facilities for a number of years in order to assess what skills are required to run a successful operation.

5.11 Community Related Activities

The football club is often one of the centres of attention within a local community and many clubs feel they have a role to fulfil in that position. Clubs engage themselves within their local communities in a number of ways and with varying intensity. The main focus of the majority of community programmes is on young supporters and work in schools. This activity has already been discussed in the spectator section and the focus of this section will be more on those types of activities which are targeted at other members of the community, thus going beyond just attracting young people to watch club matches. Apart from attracting children to the club, clubs try to offer attractions and activities to community members, giving particular attention to disadvantaged and needy groups. The first set of interview extracts provides data on the types of activities clubs do provide and the second set of quotes outlines the motivations behind those undertakings:

Club 9: "There is a tremendous amount that we do in relation to disadvantaged people. We have handicapped sports, we have close involvement with handicapped sporting societies in the area, we have women's football teams, we run over 50's clubs. Probably of the community scheme 90% is focused towards football but there are other spin-offs from that as well. A lot of that goes into things like sort of trying to get racial harmony, we have had special initiatives in trying to get the Asian community to take football to a lot of Asian kids who want to play football and trying to get Asian people to watch football."

Club 1: "We are an active community centre; we have pitches, on the car park where we have activities on during the holidays and we run coaching courses at our training ground."

Club 2: "Part of our community work is going into the schools; we help the teachers to do soccer training, skills training, sport and that type of thing. We have a PFA community programme, so we have got a group of young people here working in the community doing pretty much everything from going into schools, unemployment, they organise old people, holding bingo sessions at the ground and that type of thing on a Monday. The other big thing that we have got here is that we have a Soccer and Community Association. That is a separate thing where the football club is a shareholder together with the local authority and together with the football trust and the regional sports council. Hopefully this autumn we will build a new one, which will have the size of a floodlit all-weather area together with changing accommodation and lecture rooms. That aims to provide training, coaching, playing facilities for people of all ages, literally from about 6 through to 60. We run an over 50's league and we have got full-time administrators, coaches working there running courses, male and female and all age groups; they work with the mentally handicapped, physically handicapped, all social groups."

Club 5: " What we do is to send a lot of stuff out to hospitals, to old people; we also have ground collections for charities. We try to develop new activities, but often it is outside groups that make us aware of issues they support. "

Club 18: " This new stand we are building will in fact have a community aspect to it in as much as putting a five-a-side pitch behind it and that will have a certain number of hours per week allocated to community use. "

Club 12: " We spend £150 000 a year here for the old people, for the younger people, the children. The main idea is attracting kids to join the club, if they are not successful playing, they watch. We have got a community scheme over here run by one of our players, his wife and one of the coaches to look after the young players before and after the game. We bring them here, they get cheap tickets, sausage, burgers and tea and they can watch the game. We have old people's days out, 4,5,6,7 times a year; we have bingo for them, we have young people working with them; so that creates a community spirit. We have Christmas parties for old people, we give away season tickets as prizes, we have summer barbecues for everyone, we organise trips to the Zoo. All in all we spend in excess of £150 000 in our local community. I commercially run three markets a week here. It gives us an income and at the same time it is a benefit to the community. We believe that is right. We also often take up charitable operations.....With a little initiative from myself on anti-drugs,we try to say that often children, the drugs situation is caused by requirement for adrenaline. You can provide adrenaline easily by taking a drug or you can provide it hard by exercising or training. So we take our sports people down there, get them to join in with our gymnastic and stuff to do with that and we find that we gradually get some of them off the drugs. "

Club 7: " A football club generates charitable funds by way of ground collections and instead of allowing national bodies of making ground collections here; we have now decided to form a charitable trust which is chaired by a leading figure outside the club with a panel of committee members also from outside the club and they receive the funds from ground collections and distribute them locally to deserving causes. The club premises are used for tea dances for the elderly, they are currently being used by the local metropolitan college for a time; we are able to provide indoor bowls facilities to enable old people to play bowls in the winter and we offer some of our executive facilities; these rooms are used for discussion groups for people divorced, drug related problems, and marriage guidance."

This second set of quotes is particularly concerned the motivations of clubs to provide community related activities:

Club 9: " I do personally believe that football clubs have got an awful lot they can and should give back to the public at large. With very little relative expenditure we got a community scheme that we do in partnership with two local boroughs. They take on two thirds of the cost and we take on one third of the cost. Initiatives that go into schools: " Through sports avoid drugs " , that sort of thing, that is the social conscience side of the football club. "

Club 2: " The idea is to take the football club into the community to show that it is something that can put back into the community and therefore enhance the club. In order

to be successful you have to be very community aware; we have to recognise that the club, in essence, is owned by the local community, the 5000 people that turn up to see you play. Football Clubs underestimate the importance that they have on a community basis at their peril. ”

Club 16: “ We identify our place as being very much a community football club, if we are not part of the community we are nothing, in effect. For years now we have had a very extensive football in the community scheme operating, which is very successful. We employ three people full-time, we have the youth development side of the business, we run male and female teams. This football club, if it survives, will survive because it is part of the community and it is valued by the community and the community have to be the people who decide on its long-term future. ”

Club 10: “ We have a community department like all football clubs do. Our commercial department puts on the occasional community event but we are a business, we are not a charity. “

Club 5: “ The whole thing is a commercial thing; only because we struggle, only because we lose money everything has to be a way of trying to make some money. Having said that, we may decide to do something like that open day again for the new ground, but that is also driven by the hope to get people to see the ground and then come back and watch a few games. “

Club 7: “ The club is doing things within the local community both commercially and socially. It always was the prime objective of raising the club’s profile and therefore its attendance; at the same time one is conscious of the pro-environmental role that a club plays in its community and it’s certainly a social role and there are a lot of disadvantaged and unemployed people here and I think one has to recognise that, behaving in a manner that’s supportive to those people. “

The sample clubs run soccer courses during school holidays and build training complexes and all-weather pitches for their own as well as the community's use. Some clubs have participated in anti-drugs campaigns, one club was engaged in a programme for racial harmony, others provided rooms for discussion groups and counselling for the unemployed, divorced people and drug rehabilitation schemes.

A few clubs were running women’s football teams, over 50’s teams and sports for handicapped people. For the elderly, some organise bingo sessions, tea dances and outings. Clubs play friendly games where the proceeds go to charitable causes, at least 2 mentioned they make ground collections for charity and one club has founded a charitable trust to help local deserving causes. Some clubs have contractually obliged players to spend a certain amount of hours per week on community activities such as attending supporters’ meetings or training with children. Clubs have the aim to make their ground a centre of community activity for their own well-being and for the benefit of the

community. Some have also advocated closer links with authorities such as universities and the council in order to expand the range of activities on offer.

The level of community involvement varies between clubs and this is reflected in the comments made by board members on this issue. Some see it as a surplus luxury which is only an add-on to the more important activity of playing football, others have a real interest and conviction to give some of the support they are receiving back to the community. Their belief is that in the same way that success breeds success, support breeds support and the more clubs are embedded in their communities the better are their chances for long-term existence.

5.12 Management of Finances

The section on finance related issues begins with an outline of the current financial situation faced by the sample clubs. The second part provides data on the budgeting process, which is used by all clubs to manage their finances. The third and final part of this section is concerned with the sources of finance available to clubs.

As a starting point, it can be said that many clubs in the sample are not able to operate profitably. The following table 5.3 will provide data on 5-year averages (92/93 - 96/97) of clubs' financial results:

Profit / Loss Level	No. of clubs
Profit	3
Loss of 0-15% of Turnover	14
Loss of 15 - 30% of Turnover	3

Table 5.3: Average Financial Performance of Sample Clubs

The majority of clubs has averaged losses of between 0-15% of their turnover. The next part of this section aims to discover the reasons for these losses by focusing on accounts from the interview survey concerning the budgeting process of clubs. For a better comprehension, the data segments presented here have been categorised according to whether they refer to the actual budgeting procedures or to the issues influencing the budgeting process. The first set of interview quotes outline the budgeting procedures employed by clubs:

Club 2: " I spend a lot of time with the commercial department looking at what we are doing, what are the areas of market potential that we are looking at, looking at the facilities that we require here, how we can update them and expand what we are doing, we spend a lot of time on the business plan of our youth training side again looking at resources that we need and bringing that together with an integrated annual budget. I think we are very formal on an annual basis, our monthly board meetings work against the annual budget which we have to keep flexible and we are updating and amending all the time in terms of forecasting against the budget. "

Club 3: “ The way we would normally plan, we would plan 5 years ahead, but in detail we would plan always one year ahead. So there are extremely detailed budgets and business plans as to what has to be achieved for the next year. ”

Club 16: “ We internally financially and managerially report on a monthly basis and also we budget the business of the football club. The way the whole of the process operates, we expect every department head to, all have to present their proposed budgets for the year, further discussions take place and we normally finish with a third and final draft. Then each department, on a monthly basis again, has actual against budget and we debate differences if there are any. Budgeting itself is a very detailed written business plan, it tends to happen on a year-by-year basis. “

Club 11: “ If the budgets were there, they weren’t proper budgets and no use sticking to them anyway. I mean it is a classic case of lack of management, lack of control. It is more done the other way around, like: “ we can’t pay these bills, we need somebody to pay for it”, not: “ let’s have a look at where we are, what we are going to do for next year “.”

Club 12: “ I have an accounts department, a financial department; all these areas have heads of departments with who I have regular meetings and they all put their finished products on a graph for me and I can attack the computer when I want to ensure the position we have got in our long term strategy program. ”

Club 9: “ We are very much financially orientated and from that flows a lot of the decisions in a sense which is I suppose fairly standard right now and we run annual budgets, we run cash-flows and projection forecasts. “

Club 1: “ Budgeting is probably not as detailed as you think. We try to keep the correlation between the players’ wages, which is the major expenditure, and the known income from the football league sources and from gate income. ”

The budgeting procedures were very similar at all the sample clubs. A small number of clubs claimed they were able to plan 5 years ahead, but also acknowledged that only the seasonal budgets were very detailed. The budgeting process is typically a once-a-year activity; the revenues for the forthcoming season are estimated and matched to the projected resource requirements of each of the club departments. As a result, each department gets a spending and/or income target, which it should use as a guideline. During the course of the football season, the budgetary position of the club is assessed and reviewed at more or less regular intervals. All clubs have computerised accounts, which allows them to check their financial position. The review processes are varying in their level of detail, with some clubs indicating they review their progress on an on-going basis and others just aiming to keep a correlation between player wages and revenues. The most common approach is to review the financial position at board meetings. At the board meetings, the key departments of the club typically give reports on their progress to the directors. Clubs were also found to use monthly cost sheets, quarterly management

accounts and cash-flow analysis to review their progress. The data indicates that the review of financial issues is one of the most important issues at board meetings and a few interviewees referred to those meetings as financial meetings, rather than board meetings.

The second set of interview extracts provide some of the reasons for their inability to be profitable:

Club 17: "The first priority is to break even, otherwise you have to put your hands in your pocket, but we are expected to do that anyway. I mean football is not like any other business, I am sure everybody said that. And it is emotional too, it is a passion, it is hard to be rational. Say you have lost four games on the trot, gates have fallen dramatically, you know your cash-flow has gone out of the window; do you go out and buy the extra player that the manager is asking for? Your heart says you do, your commercial common sense says you don't. You can't describe it like any other business; people said to me you will take two years to understand football, which I did, and the things that drive it, and most of it is passion."

Club 20: "The difficulty with setting a budget for a football club at this level, is that it is impossible for that budget to show a profit. When I mean impossible, I mean that if we want to compete, then the budget will stack up a loss."

Club 7: "Football is totally different animal to normal business, in every way, financially in particular. Most business plans are based on the need to make profits and balance the books. Football, while it has that open ultimate attraction, the plain fact is that the average losses in the First Division on day to day trading are about £1m per annum. So one is starting the season with a budget to make a loss and in any other business you close the business down. What happens in football is that one can have a good run in the Coca-Cola cup or in the FA cup and that can make an enormous difference to your finances or you can unexpectedly receive an offer in excess six noughts for a player, and that's what really motivates."

Club 2: "Football is one of the most difficult businesses I have worked in to budget for, there is such a lot of things that are outside of your control."

Club 5: "We obviously have budgets for next year but the brevities of football make it virtually impossible to long-term plan anything because the whole thing depends upon winning games."

Club 18: "The financial director will draw up his idea of the budget and then bring it to the board meeting and we all have a look at it and the chairman will say: "I don't like financial matters take it away", which is his usual answer to anything that is financial and it gives us a guideline really as to whether we are able to afford to pay out, that's all."

Club 1: "We can do long-term planning for all aspects of our operations but the benefit of long-term planning would be slightly lost on us because we would be deviating from the plan far too often and if I can give you an example for that, if we did long-term planning on the football side and gave the manager budgets on what he can spend on players and players' wages. We may find that half-way through the season, dependant on our performances, we are not able to fund the moneys that have been given out."

Because clubs find it difficult to be profitable, their main focus seems to be on staying solvent, hence the focus on cash-flow analysis. Concerning the issue of breaking even, the word which is mostly used by the interviewees is hope, rather than plan or expect. Clubs "hope" to break even, they "hope" to sell a player, they "hope" for a good cup run, for good results. The clubs say that the main reason they find it so hard to do adequate budgets and to stick to them is the unpredictability of team performance and the high wage levels in the industry. Team performance has an effect on the level of spectators a club is able to attract and the playing level determines the amount of funds that a club will receive from the Television broadcasters. A good run in the league increases attendance levels, a good run in the cup means more games and this in turn means more revenue. If a club were to get to a stage in the cup where the match would be televised live across the country, it could again expect considerable extra revenue. Extra matches can also be played by reaching the playoffs for promotion places at the end of the season, with the finals of these games are played at Wembley stadium. As most clubs do make a loss of 0-15% of their turnover, a big "pay-day" at the end of the season can make the difference between staying within budgetary limits and not reaching the estimated levels of revenue. The unpredictability of any of those events occurring for any one club can only be emphasised.

The last issue to be addressed in this section will be the financing of losses. The next comments from club chairmen illustrate how clubs intend to cover their losses:

Club 15: " [financial backers] have a great deal of influence on how the money is spent. Our vice-chairman is our benefactor, he owns approximately 70% of the shares in the club and he has put in about 95% of the loans that have been made to time. "

Club 16: " It has to come to the board to make the final decision because inevitably certainly in small football clubs cash-flows equally have to be taken into account and often they are kept in check by the board's intervention financially from time to time, so inevitably it comes back finally to the board. The decision may be to budget for a loss in a particular year because of circumstances so that's why the ultimate decision has to come back to the people who are likely to fund it. "

Club 11: "[change of ownership] has created financial stability whereas before there was financial instability. We have a financial benefactor if you like, who is just underwriting the losses. In football, usually you have got a huge playing squad here that are earning lots of money and the income that you get doesn't match, there is usually a benefactor who comes in and makes up the difference. Say he lasts two, three, four, or five years, he says fair enough, he has spent all his money and then another benefactor comes in and exactly the same thing happens and the same thing goes on, it is like a cycle. "

Club 5: "My joy as chairman will be to get to a position where we will break even when I won't have to put up money from my own pocket to keep the club running, to achieve that is exceedingly difficult. "

Club 20:" One way to do a long-term plan here is to say that we have got to find a benefactor, and we have got to find somebody who can put the money in. At the moment, we can't do that, we don't even have a president of the club because we can't find a president with enough money, and we are not prepared to give the president to somebody who hasn't got money. "

Club 6: "Football has a tradition, if a football club gets into financial difficulty it tends to be bailed out by someone. It is that "White Knight Theory" that comes along, so you get into a mess, the club is in financial difficulty or could even be insolvent and somebody comes along to bail them out and their capacity to survive has been quite remarkable. "

The interview data shows that in many cases those losses are being subsidised by the club chairman or other board members. Football is an emotional business and decisions are often not based on economic principles. Football clubs are heavily dependent on the goodwill of their financially potent shareholders. If those investors run out of funds or willingness to support the club, clubs get into extreme financial difficulties. At the time this investigation took place, at least 2 clubs could not be considered to participate in this study because they were in administration and it seems to be a regular occurrence at the end of every season that a few mostly lower league clubs battle for financial survival. Unsurprisingly, many clubs are hoping to find a cash-rich benefactor and a few even have made this an explicit objective. 2 clubs were in the process of preparing a stock market flotation on the AIM market for smaller companies. They intended to increase the capital base of their clubs and build the foundations for a financially secure future.

5.13 Board Related Issues

This section of the analysis is specifically concerned with the board of directors of clubs in its function as the central decision-making unit. The first part of this section will present data on the structure and composition of the boards of directors. The second part of the section has been broadly structured according to the type of activities involved in a decision-making process, as outlined by a formal strategic planning model (Figure 3.6). The categories of the decision-making process are environmental scanning, formulation of mission and objectives, evaluation and selection of courses of action. The implementation of courses of action occurs in general through the budgeting process and personnel decisions by the board, all of which have been described in detail in the previous sections of this chapter. The third and final part of the section will present comments from the interview survey characterising the decision-making process from a more general perspective and outlining the main influence factors on decisions.

5.13.1 Board Structure and Composition

The boards of directors of the sample clubs had between 3 to 7 members. A typical board is composed of the chairman and the directors for the key functions of the club. The majority of clubs had directors for the commercial department and the financial department. The playing side was generally under the responsibility of the team manager. Only two clubs were found to have specific directorships for the footballing side. One of them had created the position of director for football and the other had given board membership to the team manager.

Board members are usually also shareholders of the club. In 18 of the 20 clubs, board members had majority shareholding. The interview survey revealed three distinguishable types of ownership: one person majority ownership, joint majority ownership of the board and dispersed ownership. One person majority ownership is the most common form, found in 11 of the 20 sample clubs. Apart from one exception where the owner was not an active board member, the majority owners occupied either the position of chairman or vice-chairman. The second most common form of ownership was the joint majority ownership of the board, found in 8 clubs. The one club which was found to have dispersed ownership had club articles which limit shareholding by a single person so that

the shares of the clubs are dispersed throughout its fan base. This club also reported that it intended to change its articles in order to allow more single person investments.

From observations made during the interview survey and from accounts of interviewees, a characteristic profile of a football club board member can be established. Most directors seem to be middle-aged, and male. For the majority, the football club directorship is only a part-time occupation. Many directors and chairmen have other business interests, which they pursue on a full-time basis. Those directors who said they had near-to full-time occupations at their club were often retired businessmen. In the main, directors and chairmen worked without pay. In many instances, club chairmen and directors also had a personal financial responsibility for the football club. Board members have often provided finance and loans on occasions when the financial situation of their club required it. Two particular characteristics seem to be crucial when people are chosen to join the board of directors of a club: the first is business expertise and the second is the ability and willingness to provide financial backing for the club. This point is illustrated by the following extracts from the interview survey:

Club 14: " We took aboard three local people, businessmen, as directors at that stage to use their business expertise. "

Club 7: " I have majority shareholding, I have the overall financial responsibility over the club. It's not something that one is able to share with the rest of the board, perhaps another 5 people, because they have no financial involvement. But I do rely on them to help me run the club in various ways; one is a lawyer, one is an accountant. "

Club 20: " We have got to find a benefactor. And we have got to find somebody who can put money in. We have on our board a solicitor, some building contractors, a very large farmer, a very big businessman and there is myself; so we have got the expertise. We make democratic decisions based on the amount of money that individuals are prepared to put in. We had a £150 000 loan from a director and we do put bits of money in but in general terms we are able to run the club on a self-sufficient basis. "

Club 17: " If you look at the composition of our board, I am an accountant, my deputy chairman is a surveyor, an estate agent but he is very well into the property market locally; the third director runs its own packaging company, he is a salesman; the fifth director is a local builder. Obviously the first priority is to break-even otherwise you have to put your hands in your pocket, but we are expected to do that anyway. "

Club 15: " Our vice-chairman is our benefactor; he has majority shareholding and he has put in most of the loans, he has an enormous say on what does and does not happen at the club. "

5.13.2 Environmental Scanning

Environmental scanning refers to a monitoring of the internal and external organisational environments of a club. Internal environmental scanning at clubs consists mainly of direct interaction between board members and functional managers during board meetings or on an on-going basis. In addition to that, clubs have management information systems in place in order to analyse their financial situation. The quotes on these issues have already been presented in the sections about football related activities and the management of finances. The quotes shown below mainly focus on external environmental scanning.

Club 9: “ I keep a regular supply about the accounts of other football clubs because that gives me a judgement about things like for example players’ wages. I keep an eye on what others are doing. “

Club 1: “ We feel there is enough resources within our organisation and me acting as a listening post for what’s happening within other organisations. “

Club 2: “ It is my job as chairman and chief executive to update the board on all the latest thinking on all issues concerning the club. “

Club 8: “ We try to look at other football clubs, the successful football clubs; we look at all areas, at revenues, prices of actual attendance to go in, we look at what their commercial turnovers are and that’s only the real analysis that we get because a lot of football clubs don’t like to give you too much information.”

Club 7: “ There is an interchange of information of various commercial managers at the commercial managers association, there is an interchange of views between chairmen at the annual summer conference. Most football clubs are aware of the opportunities that exist within their patch by discussion with other clubs and the best ideas you find are frequently taken on board all over the place.”

Club 20:” We obviously spend a lot of time talking to customers, we do spend a lot of time looking at the way other clubs are doing it and we also have supporters’ evenings and talks.”

Club 4: “ During lunches and meetings with sponsors, ideas are exchanged.”

Club 10:” As I have said before, we do share information, the chairmen all meet and discuss things, the commercial managers have their own association where they meet and discuss, the football managers have their own league managers association that meets, so there is a lot of synergy. “

Club 10: ” SWOT analysis ? Not really, I go round and ask why.? ”

External environmental scanning is often carried out through direct contact between club chairmen and the individual elements of the environment. Many of the club chairmen see it as their responsibility to keep themselves and the board of directors informed about developments in the industry and beyond. Chairmen can directly gather views from supporters, sponsors and other stakeholder groups. Within the industry, views are exchanged at all management levels. Club chairmen meet at the summer conference and at matches during the season; commercial managers and team managers have their own associations. Additionally, the vast media coverage of the industry does have the effect that information is quickly and widely spread throughout the industry and readily available to all clubs.

5.13.3 Formulation of Mission and Objectives

Two of the sample clubs had some form of written document referring to mission and objectives. In the first case, the club had what is generally regarded as a mission statement, a document detailing the key purposes, main policies and aims of the club. At this club, the mission statement was distributed to all members of staff as a reference. In the second case, the mission document was compiled by a director and served as an internal strategy document intended to guide board level discussions. The remaining 18 clubs had no written strategy documents. The purpose of the club was often seen as being self-evident for a football club and thus not worth to be made explicit in writing. Many clubs had only made explicit what they consider to be their mission when this subject was brought up during the course of this investigation. The next three statements illustrate this point:

Club 7: "The mission statement is so fundamental that it is hardly worth saying."

Club 1: "It is well known our mission statement, I think everybody who is employed here is aware of that."

Club 16: "The mission of the club is clear, whether it is clear outside ? It is clear internally in my mind."

For many of the sample clubs the reason for existence of a football club seems self-evident and in most cases a statement about the mission of a club was much more concerned with the strategy dimension of mission, which refers to the competitive

position within the industry and specific competencies a club can possess. It seems that it is very clear what clubs want to accomplish, but the objective statements are much more vague in respect to time frames for objective realisations and quantifications of what is to be achieved. Only one club had a set time limit by when it wanted to have achieved promotion and another had an explicit income target.

The next segments of interview data identify the different sources within the club environment which trigger off the processes leading to a certain course of action:

Club 8: " We have a financial director who overlooks the finances and he puts his views short-term, medium- and long-term and the same goes for the commercial manager, so we do have directors in charge of the areas. Ideas are formulated by these people in each one of these positions within the football club and then put on the table at a board meeting and then the strategy planning is worked from what they are suggesting and looking at what particular problem there is. "

Club 18: " We have regular commercial meetings once a week where we toss around ideas to basically improve the income structure of the club; this would be the managing director, the marketing manager, the lotteries manager and the merchandising manager just firing ideas at each other and then putting them into operation and then discussing them as the thing goes on. "

Club 10: " Invariably long-term issues start at board level, 99% of the time they are pre-empted by me as the major shareholder, I find I have the obligation to deal with that. "

Club 3: " We have involved all the staff in what they feel should be done at the club and in addition to that for the last two years we had appraisals with every member of staff and as a part of the appraisal of course is a focus on the club's strategy, objectives. Strategy is very much looked at on that level as well, I should mention that we have formal meetings, the executive management committee meets every single Monday and the department heads meet themselves every Monday morning. "

Club 2: " I wrote the first five-year plan, which we have taken to take as our guide and mentor. It is now out of date but this doesn't really matter because I think we agreed on a course if you like to sail forward on and our annual budgeting exercise is carried out against that kind of philosophy. "

Club 15: " We only know that we've got an option if a board member points it out to us. "

Club 9: " We don't have strategy meetings as such for long-term strategy. We do have regular management meetings with the staff; the vast majority of times I leave them effectively to run the club under the direction that I have given. I would say it is more a case of fine-tuning the machine that we have made; in terms of strategy I would say to the staff: " improve what we have got, reduce our costs and come up with new ideas", and every so often someone comes up with a new idea. "

Club 18: " We go to another club and see how they are doing something, we pick up an idea and say maybe that will work with us. We have fairly regular meetings of the managers within the club where we toss ideas about and the team manager can come up with an idea that relays to the commercial department and if it is a good idea we act on it,

we don't tell him how to pick the team but he can have an influence. We tend to have meetings with supporters once a quarter and it is a question and answer session; they come up with certain ideas, some of which have been practical and we've allowed them to choose the last two designs of kit on the basis of: if they like it, they buy it. Sometimes they come up with some valid ideas that sometimes we haven't thought about. "

In the internal club environment, the process of formulating ideas for courses of action originates at staff, management and board level. Only one club in the sample has designated meetings where strategy issues are addressed. The majority of clubs address all important issues at their regular staff, management and board meetings. The research data shows that the board of directors is normally considered to be the policy making unit and a number of club chairmen have insisted that they themselves see it as their duty to initiate discussions on long-term issues. The data also reveals that long-term issues are also considered at lower levels within the clubs. Club chairmen say themselves that members of staff are encouraged to strive for continuous improvements. Functional managers are expected to provide reports from their departments at board meetings, which include the provision of ideas for board discussions. At some clubs the functional managers meet on occasions to discuss the club's operations and generate ideas which address pressing long-term issues.

5.13.4 Evaluation and Selection

After the long-term issues affecting the football club have been identified, the process step of deciding on a certain course of action follows. The next set of interview extracts describe how this step is conducted by the sample clubs:

Club 14: " We discuss short-term, medium-term and long-term aims at board meetings."

Club 13: " We have a financial meeting once a month and go on from there. Most things are determined by the board and then passed down to what you would probably describe as each individual section head and they work from there, all reporting back to the board."

Club 8: " We have board meetings where we discuss certain things for the future. The team manager controls the footballing side, so a lot of planning is done by the manager but the board decide who is going to be in and who isn't. "

Club 12: " We have a board meeting once a month; we have a complete rundown at every board meeting of the financial aspects of the club and our commercial activities are discussed in detail, with detailed financial reports, the income relative to productivity off the field, football is discussed. "

Club 19: "To address long-term issues at the football club it has to go through the board. We have regular board meetings once every six weeks and obviously through that board meeting we will decide whether or not we are going to give the manager the extra player."

Club 2: "Long-term issues are discussed at board meetings generally. Our board is more focused into strategic policy issues rather than day-to-day running issues."

Club 15: "We have regular board meetings, we meet once a month. As regards long-term plans, they are taken jointly by the board of directors."

The data shows very clearly that the evaluation and selection steps are a board level activity. The vast majority of clubs have board meetings at regular intervals where pressing issues can be discussed and decisions can be taken. The following quotes focus on how decisions are taken at board meetings:

Club 8: "It is a democratic board; some boards aren't like that and I think that goes back to one of your first questions about actual shareholding because if somebody has the major shareholding, then generally what they say is what happens and you have a whole mixture of that throughout football. Some people own it, some people don't. So it is the board that makes the decisions and at our club it is done on a democratic basis."

Club 2: "We have had a long tradition of ownership at the club and the majority shareholders have never got together to force something on one and it is always been one man one vote."

Club 17: "I actually chair a democratic board and I am not an owner of the football club."

Club 7: "The structure of the club is so that I have 83% and that really dictates policy-making because I have the overall financial responsibility over the club. I am the person who takes the important day-to-day decisions."

Club 4: "Our board meetings, really, the one where the real decisions are made, the team manager and I meet up in our local for 7pm Thursday and we make a decision; it is very informal. In the end it is my decision and this may sound like a dictatorship but I think you have got to have one boss so that everyone knows where he is."

Club 10: "Winston Churchill once said: 'all I want is acceptance of my wishes after a reasonable debate'. However, occasionally I get outvoted and if we have a management meeting and I am outvoted I take it."

Club 9: "I have to say I own 75% of the shares so it tends to be a sort of dictatorship."

In all the sample clubs, either the board of directors had majority shareholding as a unit or a single person, in most cases the chairman, held a share majority. The decision making process was democratic when shares were dispersed amongst board members or left to the single majority shareholder where there was one. Most clubs review their financial

situation at board meetings and this financial analysis is taken into account in the decision-making process but there are also decisions, especially those concerning appointments of players and team managers, where board members are using their personal judgement to reach a decision. The following interview extracts describe how the evaluation and selection process step is characterised by club chairmen:

Club 7: “ We are constantly reviewing the long-term issues, so when we are discussing them is probably every day, or I certainly think them through every day. ”

Club 12: “ We draw on our experience over a period and if there is something which we feel is right for this club to continue with, then we inject it to the system. If we think it is not right then we don’t.”

Club 10: “ If you look through the board meetings, the minutes, there is a continuous reevaluation and discussion of the things we do. ”

Club 17: “ We discuss long-term issues usually in our budget meeting in July when the season is finished. ”

Club 2: “ We don’t write a lot of papers and we don’t do a lot of formal analysis and market research. The money that we would have to spend wouldn’t justify what we would get out of it. Things like SWOT analysis are all done in debating discussion around the decision that the board have to take. When there are issues on the horizon which will have a major impact on our strategic thinking we would revise our approach.”

Club 1:” I tend to draw up a business plan because I am also the chief executive and I am involved on a day-to-day basis and then we report back to board members. We don’t have formal board meetings but we meet on an ongoing basis. ”

Club 1: ” I don’t think there is guidelines, I think there is really opportunities. If there is an opportunity there, we have to make a decision immediately on whether we want to pursue this opportunity. ”

Club 9: “ You address long-term issues every day through board meetings and discussions and so on. ”

It can be deduced from the interview data that issues of a strategic dimension are most often discussed during board meetings. The vast majority of clubs, 18 out of 20, have regular board meetings. For the remaining clubs, contact between board members is established in a more informal way with board members either meeting on an ongoing basis or as one club chairman said: “ the important decisions at the club are taken in meetings with the manager every Thursday at the pub “. Only one club in the sample was found to have meetings specifically focused on strategic issues aside from board meetings. Most clubs in the study viewed strategy-making as an ongoing process where issues surrounding the club are constantly reviewed and evaluated in the light of the latest

developments within the club environment and the wider industry context. Those clubs saw no need for specific strategy meetings. Other clubs reported to address strategy issues only once or twice a year, either in designated meetings or as part of the yearly budget setting process.

5.13.5 The Strategy-making Process and its Influence Factors

The data which directly characterises the strategy-making process and which identifies the key influence factors on the process is categorised into four segments. The first data segment will outline the interdependence between the strategy-making process and the particular characteristics of the football industry environment. The second and third parts will provide comments on the uncontrollability and unpredictability of the main environmental influence factors, respectively. The final group of quotes takes issue with the characteristics of the process itself, as described by the sample clubs.

As outlined above, data on the link between the strategy-making process and its environmental influence factors will be presented first:

Club 1: " I think there is a major conflict in football. We have conflict at all levels and sometimes the good of football is probably taking second place because of the financial position that most clubs find themselves in and the demand of the supporters for them to progress up the Football League. "

Club 20: " I use all my management skills in terms of producing forecasts and running the board and manipulating people and getting the best we can out of the business, but I know as soon as they go out there and kick that ball, if they lose we are in serious trouble; the cash-flow forecast is down and everything is down and it is not easy to put that right, it is as simple as that. "

Club 8: " What governs you is what happens on that football pitch and that's what makes it so difficult to plan. "

Club 20: " You can be the best businessman in the world but unless you succeed on the pitch you don't stand a chance."

Club 9: " If you like in terms of an ongoing strategy, what one would be looking at is to say: " Well OK, what other areas are there that we can add to this ?", but there are actual limits to what you do at the club until you get enormous success on the pitch. "

Club 5: " If you have a good season you can plan one way, if you have a bad season you have to plan accordingly."

Club 9: " Long-term thinking is often as McMillan once said about government: "It's events old chap", and football seems to have events at very regular occurrences. Football,

you cannot look at it in a long-term sense. The long-term problems are just survival, once the next Exocet missile is going to be fired at us it is going to cause us problems. ”

Club 14: “ Long-term planning is dependent on results, you have got to constantly reshape your forward planning because ups and downs of the business. ”

The next interview extracts focus on the uncontrollable nature of the immediate club environment:

Club 8: “ When you are talking about the most important thing in the business, which is what profit you are making on the bottom line, I think it is almost impossible because of all the constraints that you are working under every year, because you cannot plan for it. You are not in control in football. ”

Club 17: “ You can’t actually plan and say: “ we will do this “, you hope things are going to happen. It is not like any other business; at the end of the day you depend on 11 people kicking a ball around; if the 11 people don’t perform and there are many reasons for them not to perform, then you lose out. “

Club 19: “ You make decisions from people but still relying on other people to get you results. Regardless of what you do here, the money that you may be able to bring in, the better staff, the fact is that at the end of the day there is 11 men crossing that white line and your destiny is in their hands. ”

Club 15: “ You can put all the best business practises into place and you can have the best guidelines, the best forward planning that money can buy, but if those 11 guys on the field don’t perform, and there is no rime or reason to know how they will, then all the planning, all the strict business controls come to nothing. ”

Club 20: “ If our product, which is our players, if they don’t perform then the old budget is ripped up and we got to start again. ”

Club 1:” When you talk about strategic plans, things change which are outside your influence which make you sometimes deviate of your plan because you are fitting in what happens within the other areas. ”

The third data segment outlines the unpredictable nature of the key influence factor, team performance:

Club 7: “ We don’t have a business plan because football is a totally different animal to normal business. If you try to look 2 years ahead, you just simply could not predict where one would be, such is the nature of the game and the business that we are in. ”

Club 12: ” The biggest problem with long-term planning is that we don’t know what the economic situation is going to be. ”

Club 6:" Planning in football is difficult because of the nature of the product. What makes it essentially different is the unpredictability of the product. "

Club 20: " I cannot plan, it is not like any other business, this is. In a normal business you got a product, you go out into the market and sell it. Now we have got a product, we don't know what this product is going to achieve, we don't know whether it is a good product or a bad product. "

Club 18:" It is an extremely difficult business to draw up a business plan for because unfortunately the end product is indeterminate. "

Club 5: " Football, like most things, is arbitrary, you can never guarantee the next day what is going to happen or the next week, so you have to be governed by what circumstances you find yourself in and then work around that. "

Club 10:" The main problem with long-term planning at a football club is that in 12 months time I don't know what divisional status we will be in. "

Club 2:" The biggest problem we have got is forecasting performance on the field. "

Lastly, data describing the strategy-process from the view of club chairmen is presented:

Club 3: " The long-term strategy is addressed once or twice a year, either with the department heads or with all the staff. We have now I think had three major review meetings with all of the staff where we have reviewed our mission statement, where we have reviewed our progress and looked at all the things that we should be doing and whether we have done them. "

Club 11: " People don't address the issue of strategy. We have budgets, we have a strategy document, the only reason we have got that is that the person who prepared it is extremely good at strategy; none of that has been implemented because football clubs don't like strategy and structure. We are muddling through, taking things as they come. You can't plan, it is not an easy business to plan and people aren't realistic in their planning. We are not very good at long-term planning at the club, it is very weak, it is an attitude, it's a culture. "

Club 10: " A lot of the operations is being done by seat-of-your-pants, you are reacting to events which are peculiar to football. "

Club 15: " I would say our planning is, I mean to be strictly honest about it, it is very haphazard. We do in most cases, apart from an annual budget, fly by the seat-of-our-pants. If we change things, it does really become more a process of evolution rather than revolution. "

Club 1:" We can do long-term planning for all aspects of our operations but the benefit of long-term planning would be slightly lost on us because we would be deviating from that plan far too often; it is very much a touch and go situation. "

Club 13: " Being in football at small club level is such a seat-of-your-pants operation all the time. "

In order to be financially successful, a football club must be successful on the pitch. The income levels of the vast majority of club operations are strongly influenced by the results of the team. Due to the nature of the business as a professional sport, football club directors do not have direct control over the crucial success factor, which is team performance. The decision-makers at the clubs are only spectators themselves when the result of a football match is determined. A second integral element of professional sport is its unpredictability. A football match takes place on the principle of uncertainty of outcome and as this principle applies to each match, irrespective of the outcome of any previous matches, team performance is in essence unpredictable. It has already been shown in the data section on players that aside from the playing strength of opposing teams, a great number of other environmental factors, most prominently refereeing decisions and performance on the day, can have a significant influence on the outcome of a game. Managing a football club is thus often described as a seat-of-your-pants operation. With the many events which can have a significant influence on clubs' ability to accurately plan for the future, clubs find that they can often only react to whatever circumstance they find themselves in.

5.14 Synthesis of Preliminary Findings

During the course of this chapter the preliminary research findings have been presented. Data has been provided on board level decision-making processes and the behaviour of the sample clubs in their various activity areas. The findings have been structured to start with the definition of the club mission and the main objectives, which is then followed by a number of issues which are of strategic significance for the sample clubs: the team manager, players, youth development, ground developments, marketing of the club, merchandising, commercial activities, community activities and management of finances. Finally, board related issues have been presented, starting with the structure of boards of directors before moving to environmental scanning activities, the formulation of mission and objectives, the evaluation and selection of actions and general characteristics of the decision-making process and its main influence factors. After an overview of the main findings in each of the sections, tables 5.4 and 5.5 summarise the findings in the individual activity areas and table 5.6 provides a summary of the board related issues.

When questioned about their mission, most clubs defined themselves as providers of football and as competitors in their division. A small number of clubs preferred a wider definition of their competitive environment and defined themselves as leisure providers. The definition of sporting objectives was generally the central part of mission related statements. The vast majority of sample clubs declared their sporting objective as wanting to play in a higher division. The remaining clubs claimed to be more focused on financial survival, which was found to be the second most important objective of clubs.

The sample clubs were found to frequently change the team manager. Team managers are most commonly released following poor performances of the team, but in the lower league clubs successful managers are also often pursued by bigger clubs in the industry. Team managers are chosen by clubs according to their track record and personal attributes. The majority of clubs tend to appoint managers from other clubs, but a few were found to have a policy of promoting managers from within the club structure. The appointment process was also found to be influenced by a number of environmental factors such as the availability of managerial candidates at a particular moment in time and the competitive position of the club within the industry. A small number of clubs have had long-term

relationships with their team managers and in those cases, team managers and the club have combined to build up a successful working relationship.

The player issues considered were transfers, contracts and wages. Players' transfers involve buying and selling players to and from other clubs. The transfer policy of a club is mainly determined by its sporting objectives and financial situation. Many clubs tend to disregard their finances and overspend on player transfers because there is pressure from club supporters, local media and from club directors themselves to achieve sporting success. The decision-making process is often guided by the wish for sporting success rather than economic logic and club boards often follow the team managers' demands for better players. Clubs sell players either because of poor performances or because bigger clubs in the industry want to sign the better players and are offering considerable transfer sums which many clubs need to be financially stable. The transfer market has been strongly influenced by a European Court ruling on the Bosman case. The Bosman decision has allowed players to move clubs without a transfer fee at the end of their contract. This has meant that some clubs have lost some of their transfer revenue because bigger clubs in the industry have opted more often to buy players from other European countries rather than from smaller clubs in Britain. Furthermore, football players have strengthened their bargaining position by increasingly using professional agents in contractual negotiations, which has led to clubs having to make more attractive offers to players in order to secure their services. Player wages are the single most important expenditure of football clubs. The wage structure of a club is to a significant extent determined by the wage structure within the industry as a whole. The sample clubs have been complaining that the bigger clubs in the industry have started to offer higher and higher wages to their players which has had the effect of increasing wage expectations throughout the whole industry. In their quest for sporting success, club directors often succumb to the wage demands of their players and find themselves in financial difficulties. As an effect of the Bosman ruling, clubs are also offering longer contract durations to their players in order to avoid losing them to other clubs without receiving a transfer fee. In order to counter the pressures from high industry wage levels, clubs are contemplating a number of alternatives which range from co-operative arrangements to changes in the industry structure, salary capping, limited squad numbers and year-by-year contracting. The majority of these measures would have to be introduced industry-wide in order to be successful and individual clubs only have very limited power to bring about changes for the entire industry.

Youth development is an alternative way to the transfer market for getting first team players. The football clubs in the sample were found to give varying levels of importance

to the youth development function. Youth development was seen as a risky undertaking because it requires considerable investment over a sustained period of time but it is uncertain how many good players can be produced by a youth scheme. Those clubs who claimed to have an emphasis on youth development were found to have a "belief in youth" and were attempting to provide good all-round facilities for youngsters and high quality coaching. It was also found that stability in team management positions over a number of years was often one of the most important factors in operating a successful youth scheme over longer periods of time.

In recent years, many clubs have carried out improvements to their grounds. The scale and scope of the developments was determined by the availability of finances and by a government report on football ground safety, the Taylor Report, which recommended the introduction of all-seater grounds throughout the industry. Many clubs have used this opportunity to not only upgrade their facilities but to also incorporate additional facilities in their grounds in order to be able to offer corporate hospitality and other sports and leisure activities. Aside from the constraints imposed by club finances, ground developments can only be carried out with the approval of the local authorities and a few clubs were unable to pursue ground development options because local councils refused to give planning permission.

Marketing activities have been categorised into four groups: spectator related activities, sponsorship and advertising, merchandising and other diverse commercial activities. A football club's ability to attract spectators was found to be dependant on the size of the catchment area, the historical level of support of a club and local competition from other sport and leisure activities. Clubs aim to attract spectators by establishing communication lines with different spectator groups and tailoring individual offers for different spectator segments. A club's ability to attract sponsors and advertisers is determined to a great extent by the playing level or industry position, by the recent performances of the team and by the business population in the catchment area. The clubs in the sample were mainly only able to attract local sponsors. National sponsorship is secured by the Football League as a whole and distributed equally among all the clubs. The level and type of sponsorship is also determined by the standard of the ground facilities clubs can offer to sponsors. Lastly, the nature of football with scheduled weekly matches throughout the year means that clubs are facing a time pressure for sponsorship of individual matches.

The majority of club merchandising operations are carried out through the club shop. Merchandising sales are at their highest on match days. According to the data, the scale and scope of merchandising operations is dependent on team performances. Clubs tend to

observe each other's operations and successful ideas for products are exchanged throughout the industry. Some of the sample clubs have complained about competition from the top clubs in the industry in the sale of replica shirts. A small group in the sample have aimed to increase their revenue in this area by locating club shop outlets in city centre shopping areas, by expanding their sales through catalogue sales or by expanding the product range into related areas such as sports goods retailing.

Apart from their merchandising operations, many clubs were found to operate a variety of other commercial ventures. The most common undertakings involved alternative uses of the ground and other facilities in order to generate additional revenue. Some clubs shared their facilities with other sports clubs, others aimed to provide hospitality and conference facilities to corporate customers and restaurant, bar and other sports facilities for private customers within the local environment. The guiding force behind those activities is the need to generate additional funds in order to support the footballing side of the club. There are a number of opportunities for all clubs to exchange commercial ideas at various managerial levels and successful ideas are adopted quickly throughout the industry. The success of many commercial ventures was seen as being dependent on successful team performances, which help attract customers to the facilities. For those commercial activities which are targeted at members of the general public, the location of the ground facilities was also found to be a significant influence factor. Commercial ventures of this type also require adequate financial backing and managerial expertise in order to be successful and both these elements were found to be lacking in some of the cases.

Club community policies are mainly aimed at attracting young people to the game of football, but a number of clubs are also involved in providing services to needy members of their community. The main community policies involve staging open days at the football grounds, giving free tickets for matches to local schools, holding holiday soccer courses for youngsters and dances, quizzes or outings for the elderly. A number of clubs attach particular importance to community integration. These clubs describe themselves as community football clubs and insist that active involvement in the local community is vital for their long-term survival.

The majority of clubs were found to face financial difficulties and as a result many of them are on the lookout for financial backers. Clubs can offer directorships for potent financial backers and the search for financial benefactors is certainly a main concern of many club agendas. Budgeting was used by all the sample clubs to allocate their resources according to board decisions. The budgeting process is typically a once-a-year activity where all the departments get spending and revenue targets as guidelines. Clubs were engaged in a

regular budgetary review and control process where budget projections are compared with actual results and adjusted accordingly. However, many clubs find it very difficult to stay within their budgetary limits due to a number of environmental pressures and as a result many of them recorded operating losses or even budgeted for a loss at the start of the season. Before the overview of findings relating to board level activities is presented, tables 5.4 and 5.5 summarise the findings presented so far.

Summary of Preliminary Findings	
Mission & Objectives (5.2)	<ul style="list-style-type: none"> - clubs are providers of football, competing with other clubs in their division - a few clubs see themselves as leisure providers - sporting objectives are most clearly expressed: all but two clubs aim to play in a higher division - the second most important objective is financial survival
The Team Manager (5.3)	<ul style="list-style-type: none"> - frequent managerial changes, managers are dismissed after poor performances or headhunted by bigger clubs - A small number of clubs have long-term relationships with their team managers - clubs recruit managers mainly from other clubs but some have a policy of promoting from within their structure - team managers are chosen according to their track record and their personal attributes - the choice process is influenced by the availability of managerial candidates and the position of a club within the industry
Players (5.4)	<ul style="list-style-type: none"> - clubs buy players in order to build a successful team - many clubs overspend on their transfer budgets because of internal and external pressures to win - clubs sell players because they want to replace them or because bigger clubs would like to sign them - selling players is one of the main revenue sources for many clubs - since the Bosman ruling, clubs have had to cope with a decrease in transfer activity and higher wage expectations from players, a pressure they attribute to the industry - longer contracts are offered to players to bind them to the club - a number of regulatory alternatives are proposed, most of which are only seen as useful when introduced across the industry
Youth Development (5.5)	<ul style="list-style-type: none"> - alternative way of getting first team players - risky, long-term investment, success is uncertain - most clubs operate youth schemes, but with varying intensity - those who claim they have a youth focus have an explicit belief in youth, provide stability in team management and top-level football and support facilities
Ground Developments (5.6)	<ul style="list-style-type: none"> - there is a varying scale and scope of ground developments, ranging from simple repairs to the building of completely new stadia - the main influence factors are the availability of finances, the Taylor Report and local authorities - developments are aimed at improving facilities for spectator groups and at providing additional revenue generating facilities

Table 5.4: Summary of Preliminary Findings - Part 1

Summary of Preliminary Findings (continued)	
Marketing (5.7)	<p><u>Spectators</u>: - the ability of a club to attract spectators is mainly determined by the size of the catchment area, the club history and local competition for other leisure activities</p> <p>- clubs segment their various spectator groups, tailor offers for individual spectator segments and provide a number of means to communicate with them.</p>
(5.8)	<p><u>Sponsorship & Advertising</u>: - market size is determined by the business population in the catchment area, the playing level, recent team performances and the ground facilities clubs can offer</p> <p>- clubs face a time pressure to find sponsors and advertisers as they are bound to a set schedule</p>
(5.9)	<p><u>Merchandising</u>: - the club shop is the main selling unit, the main item is the team replica shirt, most sales are done on match days</p> <p>- the scale and scope of operations depends on team performances and playing level</p> <p>- product ideas are spread throughout the industry by the clubs themselves</p> <p>- some clubs have expanded their operations into related areas, changed their outlet locations or expanded sales by using different distribution channels</p>
(5.10)	<p><u>Other Commercial Activities</u>: - most commonly, ground facilities are used alternatively - some clubs share facilities with other sports, others provide hospitality and conference facilities - clubs operate bars and restaurants</p> <p>- the guiding force is the need to generate revenue to support the football side, but clubs also aim at broadening their financial base - ideas easily spread throughout the industry - the success of many ventures depends on team performance, ground location, financial backup and managerial expertise</p>
Community Related Activities (5.11)	<p>- aimed at attracting youngsters to the game of football - some clubs operate more extensive schemes for other members of the community and a few clubs actually see community integration as a vital element of long-term survival</p>
Management of Finances (5.12)	<p>- many clubs make operating losses, often directors finance the losses</p> <p>- most clubs say they are constantly searching for potent financial backers</p> <p>- clubs have elaborated budgeting procedures and budget review procedures in place but the majority do tend to deviate from their budgets on a regular basis</p> <p>- clubs often buy players during a season in order to improve or sustain their league position, which takes them over their budgetary limits.</p> <p>- control of the financial performance is done through monthly financial analysis, control of performance is done directly through assessing team or player performance during the football match and by observing the club position in relation to other clubs in the league table</p>

Table 5.5: Summary of Preliminary Findings – Part 2

In the section on board level activities, aside from data on board structure and composition, the categories have been determined according to the main process elements identified by the literature; they were environmental scanning, strategy formulation, evaluation and selection. Implemented strategies have been discussed previously. The final part of the section identifies the main characteristics of the strategy-making behaviour of clubs and the main influence factors on decision-making.

The boards of directors of the sample clubs were found to have between 3 and 7 members. Most club directors are middle-aged males who usually pursue other business interests and

hold the club directorship as a part-time position. A relatively small number of club chairmen occupied full-time positions and in that case often also fulfilled the role of chief executive. Aside from their decision-making capacity, board members were reported to either provide financial backing to the clubs or business expertise for important club functions such as accountancy or legal advice.

The decision-makers in the clubs under study displayed a number of ways of monitoring their environment. Internally, the environment is mainly assessed directly by personal interaction with the personnel in the key positions. Most of this interaction is on-going and informal in nature, although clubs also have more formal reports by the managers in charge of their main functions during their board meetings. In addition to personal assessments, all clubs have computerised accounts and prepare very detailed financial information, which is reviewed during their regular board meetings. The external environment is also often monitored on an on-going basis by the decision-makers themselves. Football club directors have a multitude of opportunities to directly interact with most elements of the external environment on a regular basis. Football matches are public events where views can be exchanged with club supporters and officials from other clubs. In addition to that, club directors, functional managers and team managers have their own industry associations or conferences where developments within the industry are discussed. A special feature of the football industry is the strong role of the media in dispersing information throughout the industry and providing analysis of industry developments from different angles.

Only a small number of clubs were found to have written documents defining their mission and objectives. Most clubs viewed the purpose of the club, the provision of football to the local community, as self-evident. In those few instances where clubs planned to expand their operations into the leisure market, they defined themselves more broadly as leisure providers. The main focus of mission and objective related statements was on defining a desired competitive position. The vast majority of clubs defined their mission in terms of an improved competitive position, or in more simple terms as promotion to a higher playing division. Aside from the sporting objectives of clubs, financial stability is the second most important objective even though quite a few clubs seem to be more concerned with solvency rather than profitability. Clubs have quite clear ideas about the objectives they would like to achieve, but almost all the statements lack explicit timeframes or quantifications of what is to be achieved. The process of strategy formulation was found to take place at a number of levels throughout the club structure. Staff, management and board members were all found to be involved in generating ideas for courses of action.

Football club directors tend to feel responsible for policy-making at the clubs, but they admit at the same time that issues are often brought to their attention from different sources in the club environment.

Whereas strategy formulation takes place in a variety of forms and originates from many different sources, evaluation and selection is distinctively a board level activity. Decision-making is in most cases determined by the shareholding situation of clubs, with the majority shareholders holding the decision-making power where there was one-person majority shareholding. At the remaining clubs, decisions were reported to be taken on a democratic basis. Most clubs had regular scheduled board meetings where strategic issues were discussed. The evaluation and selection process step was often described as an on-going informal process where decisions were taken when environmental circumstances required it or when the concerned parties meet. Another smaller group of clubs claimed to only address long-term issues during the yearly budgeting process or in one or two yearly strategy meetings.

The strategy-making behaviour of clubs is greatly dependant on the performance of their team and on factors related to the nature of the football industry. The income levels of the vast majority of club operations are strongly influenced by the results of the team. The data has revealed that clubs find they are not able to control their team performance and other developments within the industry which affect them. Aside from the uncontrollable nature of their core operations, the data has also revealed that clubs find they are not able to predict either the short-term or long-term performance of their team. Very few clubs have explicit strategy meetings and managing a football club is often described as a seat-of-your-pants operation. A few clubs went as far as to admit that strategy was not addressed at all. Table 5.6 summarises these findings.

Summary Preliminary Findings - Board Related Issues	
Board Structure & Composition (5.13.1)	<ul style="list-style-type: none"> - boards of directors have 3-7 people - most board members are middle-aged, male, with other full-time business careers - board members are chosen for their business expertise or their ability to provide financial backing
Environmental Analysis (5.13.2)	<ul style="list-style-type: none"> - internal analysis is done through direct, verbal, informal processes as well as through detailed financial analysis - external analysis is either provided by external forces or through direct personal interaction with groups of stakeholders
Formulation of mission, objectives, strategies (5.13.3)	<ul style="list-style-type: none"> - most clubs see their mission as self-evident and do not formulate it explicitly, only a very small number had written strategy documents - mission and objectives are often clear to clubs, but strategies tend to be more vague - most clubs have their budget as a written plan and view this as sufficient - ideas for strategies originate from many sources within and outside the clubs - within the club, ideas can come from the board of directors, from the functional managers or from other members of staff. Some clubs actively encourage all members of staff to formulate ideas for improvements. It is also common within the industry to exchange ideas and to take on board successful practises from other clubs.
Evaluation & Selection (5.13.4)	<ul style="list-style-type: none"> - The environment and possible strategic options are monitored and evaluated on an on-going basis. Concrete options are evaluated at board meetings. The main evaluation mechanism is board level debate and discussion. Decisions on all major activities are taken by the board of directors. Decision-making tends to be democratic where shareholding is dispersed. Where there is a single majority shareholder or finance provider, decision-making tends to be centred around that individual. - financial analysis data is considered during board level discussions but does not function as a decision-making tool as such.
General Characteristics of the Strategy-making Process (5.13.5)	<ul style="list-style-type: none"> - strategy-making is strongly dependant on the performance of the team - club decision-makers are not in control of their main activity area, the team - the nature of the industry is that team performances cannot be predicted - events within the industry affecting club activities are uncontrollable and unpredictable - very few formal strategy meetings, some clubs say they do not address strategy - club operations are characterised as seat-of-your-pants or muddling through

Table 5.6: Summary of Preliminary Findings – Part 3

Chapter 6

Data Interpretation

6.1 Introduction

The aim of this chapter is to characterise the behaviour of clubs described in the previous chapter according to the theoretical frameworks outlined in chapter three. The chapter is structured along the process, content and context dimensions of strategy. The first section consists of the interpretation of the data according to the 6 perspectives outlined in the strategy process framework (Figure 4.4). Section two is concerned with the interpretation of the findings in relation to the strategy content framework (Figure 4.3). The third and final section characterises club behaviour according to the Not-For-Profit and Small Business frameworks (Figure 4.5).

6.2 The Strategy Process

The aim of the process interpretation is to characterise the processes observed in the sample organisations in relation to the process framework. The findings from the data analysis process will be compared to each of the approaches in the framework and screened for similarities and differences.

6.2.1 The Strategic Planning Perspective

The strategic planning perspective views strategy-making as a process involving a sequence of steps, starting with environmental analysis, then strategy formulation, evaluation of options, selection of the most appropriate option and implementation. The research data identifies only one case where a club had some form of a standardised

planning procedure in place. This club had a structure of regular strategy meetings, held two or three times a year, where strategic issues are addressed and the progress of the club is reviewed. This club was also one of two to have a written mission statement and written plans for some of their individual activity areas, although the other club only used their statement for internal discussions (see section 5.13.3). On the issue of data collection, it can be said that clubs do collect data from both their internal and external environments. Data collection from the external environment which could be said to be systematic, occurs mainly on the customer side of the business where market research exercises of varying regularity are carried out. Some clubs carry out regular formal market research through supporter surveys or focus group settings, but in the main, club management collects the views of customers in a more informal and direct manner through personal interaction. Data collection in the internal environment is more systematic (5.13.2). All clubs in the study did either have or were in the process of introducing computerised accounts and management information systems. With the help of this technology, clubs are able to produce monthly financial statements for all club activities which are then reviewed and discussed during their board meetings. While the analysis and discussion of financial issues was said to be one of the main activities during board meetings, none of the clubs reported to use any analytic or evaluative tools such as profitability, cost-benefit or shareholder-value analysis to determine which course of action to pursue (5.13.4). Even though the majority of the sample clubs did not have a formalised planning process in place, strategy-making was clearly seen as a board level, or top management, activity. The decisions on all important issues concerning the clubs were taken at the board level, but lower level management was not confined to merely gathering information. Lower level managers were found to be involved in the process beyond information gathering, some of the findings indicate that in some instances they developed strategic options or held evaluative discussions at their level and their views would be considered during the decision-making process. As for plans being made explicit, aside from the two occasions where clubs had written mission statements, the main written planning document of clubs was their annual budget.

In summary, it can be said that this perspective is not appropriate to comprehensively describe the strategy-making behaviour of clubs. None of the clubs had actual planning departments, the process was not seen as complex, and no sophisticated analytic and evaluative tools were used to reach decisions. Most clubs said that sophisticated planning procedures were not appropriate for them because they were too small or because of the unpredictable nature of their product they would deviate from those plans too often. Table

6.1 provides a graphic overview of the findings for the strategic planning perspective. For each of the outlined characteristics, an assessment has been made as to whether there is weak, some, or strong evidence to support a particular claim.

Strategic Planning Perspective Related Findings		
LINEAR SEQUENCE OF STEPS		
STANDARDISED PLANNING PROCEDURES		
PLANNING DEPARTMENTS		
SYSTEMATIC DATA COLLECTION AND ANALYSIS		
USE OF ANALYTIC AND EVALUATIVE TOOLS		
TOP MANAGEMENT ACTIVITY		
LOWER LEVEL MANAGERS ONLY GATHER INFORMATION		
COMPLEX PROCESS		
EXPLICIT PLANS		
<input type="checkbox"/> = little evidence	<input checked="" type="checkbox"/> = some evidence	<input checked="" type="checkbox"/> = strong evidence

Table 6.1: Strategic Planning Related Findings

6.2.2 The Design School Perspective

According to this perspective, strategies are made by the dominant leader of an organisation. The organisations in this study often had dominant leaders and these leaders were often also the policy-makers. Club chairmen and directors saw it as their duty to develop future courses of action for their clubs and on some occasions a strong vision could be identified (5.13.3). This was especially apparent in the area of ground developments and commercial activities (5.6, 5.9 & 5.10), where the visions of club chairmen served as guidelines for future developments. The process could be characterised

as simple because no other elements of the organisation were directly involved in determining the guiding vision. The process is also more of an informal nature because the vision is developed and communicated informally and directly. To some extent it can be said that the process was linear because visions were first formulated and communicated before implementation could be considered. Taking the issue of ground developments as an example, clubs were required to provide detailed plans of their planned developments in order to get planning permission and secure financing. The fact that some of the developments could not be realised as planned due to lack of finance or failure to get planning permission shows that formulation and implementation can not be seen as completely independent steps. In order to be implemented, original plans might have to be reviewed and reformulated a number of times. As said in the strategic planning part before, lower level managers are involved in formulating and evaluating strategic options and their role is by no means just limited to gathering information for top management (5.13.3 & 5.13.4).

The design school perspective is in some respects an appropriate description of club behaviour. The view of the dominant leader as strategy-maker seems fitting in this context because many football clubs have traditionally been led by dominant leaders. Due to the direct interaction many club chairmen have with all areas of their club and the small size of clubs, it is also appropriate to describe the process as simple and informal. Table 6.2 provides a brief overview of how the findings have been interpreted for this perspective.




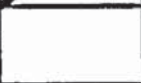



Design School Perspective Related Findings		
STRATEGY-MAKING BY THE DOMINANT LEADER		
SIMPLE AND INFORMAL PROCESS		
SEPARATE STEPS OF FORMULATION AND IMPLEMENTATION		
EXPLICIT PLANS FOR COMMUNICATON WITHIN THE ORGANISATIONAL ENVIRONMENT		
LOWER LEVEL MANAGERS GATHER INFORMATION		
 = little evidence	 = some evidence	 = strong evidence

Table 6.2: Design School Related Findings

6.2.3 Logical Incrementalism

The logical incrementalist view is of an evolutionary process. This perspective sees the environmental scanning element as a constant activity and many of the research findings adhere to that view. Numerous accounts of club chairmen describe their constant interaction with club supporters, sponsors and other clubs in the industry. Due to the public nature of football, a club's players and indeed the players of other clubs can be constantly monitored (5.8, 5.13.2 & 5.13.5). In addition to the direct interaction with the environment, the widespread media coverage of the industry ensures a rapid spreading of information of all kinds, thus providing all members of the industry with a constant scanning of events surrounding football. Through the on-going reassessment of their internal and external environments, clubs also adjust their views on strategic issues, although strategies themselves are often not that flexible to be adjusted because their implementation is linked to the allocation of funds in the budget and budgets are usually set on an annual basis. There is also considerable evidence in the findings to support the view of a small-scale trial-and-error approach (5.13.5). Clubs have adopted this approach when carrying out ground developments, when setting up youth teams or in player related issues (5.4, 5.5 & 5.6). A dominating factor in this behaviour has been the severe financial constraints under which the majority of clubs are operating. Ground developments have been carried out on a one-stand-per-season basis and youth development schemes have first been set up for a few limited age groups. In their player purchasing policies, some clubs have experimented with players from foreign clubs or with players from the youth side. The nature of football as a team sport made up of 11 individuals allows it to make incremental changes in the team composition and to test out certain players in certain positions. Clubs also have the opportunity to get players on trial in order to assess their potential to strengthen the playing side. The next claim to consider is that overall strategy emerges from the strategies made in the different subsystems of an organisation. The data analysis has shown that football clubs engage in a number of diverse activities, ranging from staging matches to producing players to having commercial operations and providing services to their communities (5.9, 5.10 & 5.11). Clubs have also clearly said that their main objectives are sporting success and financial viability (5.2). In order to achieve both these objectives, they have to achieve success levels in all their fields of endeavour and as the success criteria are vastly different for each activity or subsystem, it needs its own strategy. Practically this means that being successful on the field or in youth development requires a certain strategy and being

successful at attracting sponsors requires another strategy because the activities are fundamentally different. In the light of these findings it can be argued that it is indeed the case that a club's overall strategy emerges from the strategies employed in the different subsystems.

The logical incrementalist view further claims that the decision-making process is more intuitive due to a lack analytical of information to assist decision-making. The research results do at least in part support this statement. It has been said previously that clubs have sophisticated management information systems which allow them to collect financial information and some of the decisions are made with that analysis in mind, but there are many other occasions where the type of decision which has to be made allows no other approach than intuitive decision-making (5.13.5). Football is essentially about people and decisions surrounding people always involve a considerable amount of intuition. This is particularly apparent when decisions have to be made about appointments of team managers or when players' skills have to be assessed. In the community activity area, one dimension of the decision-making process involves assessing the benefit of an activity to the community and the potential future benefit of that activity for the club. This type of decision can again not readily made by simply gathering information and using some analytic tool in assistance. Another claim by this school of thought is that decision-making is influenced by unexpected events. The research data does again provide support for this claim as the sample clubs have outlined a series of events which have had a considerable impact on the courses of action they have taken in their individual activity areas: The Taylor Report has forced clubs to develop their ground facilities, the Bosman Ruling has changed their approach to player transfers and the formation of the Premier League has shifted the balance of power and the basis for the division of revenues within the industry (5.6 & 5.4). At the club level, unexpected events which can affect club's decision-making and financial situation can be players' injuries and player suspensions.

The last claim made by the logical incrementalist school is that the process formulation and implementation steps are interlinked. Based on the evolutionary approach described above, it can be argued that those two steps are indeed interlinked because the behaviour of clubs in many of their activity fields is characterised by a sequence of action, situation assessment, adjustment and action. Courses of action might be individually formulated and then implemented, but the constant sequence of these steps gives them a distinct interlinked character (5.13).

In summary, the logical incrementalist view does certainly provide a very useful framework for characterising the observed behaviour of clubs as all the claims of this

perspective have at least in part been supported by the results of this study. Table 6.3 below provides a brief summary of this interpretation.

Logical Incrementalist Perspective Related Findings		
CONSTANT SCANNING OF THE ENVIRONMENT		■
ON-GOING ADJUSTMENT OF STRATEGY	▤	■
SMALL SCALE TRIAL AND ERROR APPROACH		■
OVERALL STRATEGY EMERGES FROM THE STRATEGIES OF SUBSYSTEMS		■
LACK OF ANALYTICAL INFORMATION TO ASSIST DECISION-MAKING	▤	■
INTUITIVE DECISION-MAKING	▤	■
DECISION-MAKING IS INFLUENCED BY UNEXPECTED EVENTS		■
FORMULATION AND IMPLEMENTATION ARE INTERLINKED		■
□ = little evidence	▤ = some evidence	■ = strong evidence

Table 6.3: Logical Incrementalism Related Findings

6.2.4 Disjointed Incrementalism

This strategy process perspective emphasises on the political nature of strategy-making. As a starting point, disjointed incrementalism views organisations more as a social network rather than a strict hierarchy, with individual groups within the structure engaging in a bargaining process, the outcome of which results in the organisation's performance. This view of the organisation can certainly be applied to the football clubs in this study. A football club is made up of three main groups: the board of directors, the functional

managers and the players. Although it is valid to say that there is some form of hierarchy in this structure, the accounts presented in the interview survey outline that each of these individual groups has its own power base and objectives. Of course all the parties want to have sporting success, but the football club directors also have to consider the financial side of the club and ensure its long-term survival.

The data shows that team managers have the sole duty of achieving sporting success and tend to disregard the possible long-term financial implications of their player transfer activities (5.3). At the same time, team managers can be said to occupy a key position at clubs as their expertise is a crucial component in team performance. The findings presented on transfer market activity and on players' contracts and wages show that players themselves hold a strong bargaining position because in the same way as the team manager, a player can be the crucial "tool" required to achieve sporting success (5.4). The data does further indicate that in the view of club directors, players often are as concerned about realising their own sporting and increasingly financial objectives aside from purely playing for the benefit of their club.

The second claim made by this strategy process perspective is that issues are sensed by individuals, rather than being brought up as a result of environmental scanning. Evidence to support this view is rather weak in the context of this study, if only because football club directors are engaged almost in a constant environmental scanning process with additional input from extensive media coverage to raise issues (5.13.2). The next proposition of this "muddling through" perspective is that information is collected informally, verbally and in an unstructured manner. The research results very much support this view. As mentioned before, club chairmen are almost constantly in contact with their most important stakeholders and the public nature of football allows for plenty of verbal interaction with supporters and representatives from other clubs alike (5.13). The fourth characteristic of the disjointed incrementalist view is concerned with the way solutions to identified problems are found and how courses of action are selected. Here, the process of debate and discussion is identified as the central element. In the sample clubs, the board meetings and other meetings at lower management levels have been identified as the decision-making units and the sources for ideas. Board discussions are without doubt the basis for strategy-making in the sample organisations. It can also be confirmed that although financial analysis is carried out at clubs, there are many instances where decisions are taken with only the sporting success in mind and a disregard for economic logic (5.13.4 & 5.13.5).

In summary, the disjointed incrementalist perspective is very fitting to characterise the distinctive political character of club behaviour. There are no distinct process phases

which can be identified because many issues are dealt with as they arise and only then they are solved through debate and discussion, the outcome of which is in turn strongly influenced by the background and motivations of the people involved in the process and the social and cultural circumstances at the individual club in that particular moment in time. Table 6.4 on the next page provides a graphic summary of this discussion.

Disjointed Incrementalist Perspective Related Findings		
ORGANISATIONS ARE SOCIAL NETWORKS RATHER THAN HIERARCHIES		
ISSUES ARE "SENSED" BY INDIVIDUALS		
INFORMATION COLLECTION IS INFORMAL, UNSTRUCTURED AND VERBAL		
DEBATE AND DISCUSSION GENERATE SOLUTIONS, MANAGERS DRAW ON THEIR EXPERIENCE		
FORMAL ANALYSIS IS JUST COMPLEMENTARY		
PROCESS PHASES ARE STRONGLY INTERLINKED, STRATEGIES EMERGE FROM MANAGERIAL EXPERIENCE IN THE CONTEXT		
<input type="checkbox"/> = little evidence	<input checked="" type="checkbox"/> = some evidence	<input type="checkbox"/> = strong evidence

Table 6.4: Findings and the Disjointed Incrementalist Perspective

6.2.5 The Interpretative Approach

The interpretive approach assumes that organisational actions are mainly the outcome of established organisational routines, which are expressed in an organisational paradigm. Because all the organisations in this study are members of the same industry, their individual activities tend to be very similar and under these circumstances it has been difficult to identify individual organisational paradigms. Nevertheless, the research data

shows that clubs in different industry positions tend to have objectives which differ in their desired industry position and in the emphasis given to individual areas of activity (5.2). Clubs in the First Division mostly have expressed the ambition to play in the Premier League and this objective for example affects their strategies on the transfer market and their views on financial matters. Those sample clubs which were found to have an emphasis on their youth development schemes or on increased community integration could be said to have incorporated these specific directions into their organisational paradigms.

The data is much more indicative of the existence of an industry paradigm. Many organisational routines at clubs are very similar and this is partly due to the regulated nature of the industry, which has preserved the way football matches are played over the last hundred years. The football industry can be characterised as "traditional" and combined with the status of the sport as Britain's national sport, a strong industry paradigm has been created. There are frequent information exchanges within the industry and a constant expression of current beliefs and developments in the media (5.13). This contributes to a harmonisation of ways of behaviour and thinking displayed by the research subjects. Many interviewees have expressed similar views of industry conditions, describing the business as simple and impossible to predict or to control. Only very rarely have the members of the industry questioned the ways in which the industry is structured or organised; there is a strong feeling that "things are as they are". Radical changes, when they have occurred, have often been introduced as a reaction to outside pressures such as government or legal agencies.

The area where clubs seem to be innovating and radically changing is that of ground developments. Some of the clubs in the sample have aimed to radically expand the nature of club operations into the leisure industry (5.6). The data has shown that in some cases these developments have been motivated by a property development background of the chairmen of the clubs in question. This type of influence can be seen as being located outside the established industry paradigm, which dictates that football clubs simply are to be playing football, as they always have. The fact that the strategies for building indoor stadiums have not been realised due to either a lack of finance or refusal of planning permission also indicates that other stakeholders in the industry contribute to reinforcing the established paradigm and radical change will only be made possible through a paradigm shift.

Lastly, the research data does provide evidence that internal problems tend to be seen as givens. This is particularly evident in the way clubs handle their finances, especially when

it comes to player wages. Although it is the clubs themselves who agree to the wage demands of players, they blame the players for making those demands or the other clubs in the industry for contributing to raising wage levels (5.4 & 5.12). Some comments by club directors suggest that they are resigned to the fact that football clubs will always be spending more than they have and that additional funds will have to be provided by board members.

In conclusion to this part of the interpretation it can be remarked that the interpretive approach does to some extent explain the strategic behaviour of clubs. Table 6.5 below gives an overview of the points discussed above.






The Interpretive Perspective Related Findings		
STRATEGIES AS OUTCOME OF ORGANISATIONAL ASSUMPTIONS AND ROUTINES, EXPRESSED IN A ORGANISATIONAL PARADIGM		
DEVELOPMENT IS GRADUAL, NOT RADICAL		
INNOVATION TENDS TO TAKE PLACE OUTSIDE THE PARADIGM		
INTERNAL PROBLEMS CAN BE SEEN AS GIVENS		
 = little evidence	 = some evidence	 = strong evidence

Table 6.5: Findings related to the Interpretive Approach

6.2.6 Enforced Strategy

This last strategy process perspective is located at one extreme of the deliberate-emergent continuum of strategy processes. This perspective can not be characterised as an approach as such as it prescribes that organisations have no choice but to implement a strategic choice made for them by outside powers or imposed on them by environmental conditions. A number of research results suggest that this is an appropriate view to describe club behaviour. The football industry is strongly regulated and in recent years a series of measures have been introduced which have required clubs to adopt specific courses of action. The Taylor Report has forced clubs to improve their ground facilities,

the Bosman Ruling has affected transfer policies, wage structures and contract lengths and there were some accounts of commercial ventures having to be abandoned due to intervention of the regulative bodies (5.4).

The research findings also provide support for the proposition that environmental conditions strongly influence operating environments. A particular feature of the football business is the inseparable nature of the club and its local community. Football clubs are a product of their local environment and can only exist within this context. This means that they are subject to whatever conditions their local environment does provide (5.7). For instance, clubs in smaller communities cannot expect the same level of support than clubs in bigger communities; similarly, clubs have to rely on financial support from their local environment. Coupled with the industry-related pressure on their main expenditure, players' wages, many clubs feel that they are completely at the mercy of these developments (5.13.5). The following table 6.6 summarises the findings for this part

Enforced Strategy Perspective Related Findings		
POWERFUL OUTSIDE AGENCIES IMPOSE A STRATEGIC CHOICE		■
ENVIRONMENTAL CONDITIONS STRONGLY INFLUENCE OPERATING CONDITIONS		
FIRMS ONLY BUFFER THEMSELVES AGAINST OR RESPOND TO ENVIRONMENTAL CHANGES		◻
◻ = little evidence	◻ = some evidence	■ = strong evidence

Table 6.6: Enforced Strategy Related Findings

6.3 The Content of Strategy

This section is concerned with interpreting the behaviour of the sample clubs from the strategy content perspective. It must be remarked at the outset of this discussion that the findings of the strategy process section have shown that the sample clubs were small businesses at the lower end of their industry, suffering from a lack of financial resources and operating in a strongly regulated and regionally defined environment. Under these conditions, the strategy-making ability of these organisations proves very limited and many courses of action are adopted as a result of external environmental pressures or due to the clubs' inability to pursue alternatives. This means that when this section claims to be concerned with club "strategies", it does not only consider deliberate strategic actions of clubs, but also courses of action clubs were forced into and courses of action clubs were contemplating as possible future moves. Small professional football clubs quite clearly operate in an environment which does not allow a great amount of strategic freedom, but this does not mean that there are no strategic issues to be considered. This section will thus explore the strategic actions of clubs and discuss the strategic issues clubs are facing. At a first interpretive level, issues of strategic importance will be categorised according to the strategy level framework outlined in chapter three. In the discussion of strategic issues at the business, corporate, and multicompany levels, the respective frameworks will be applied to the research findings in order to make it possible to draw valid conclusions about the sources and types of competitive advantage found in this context.

6.3.1 Strategic Issues and Strategy Levels

The strategy level framework distinguishes between business, corporate, and multicompany level strategies. Business level strategies are concerned with the performance of a firm in an individual business sphere. Corporate level strategy considers issues surrounding the firm as whole and is concerned with the choice of business spheres and the way the different businesses should be managed. Multicompany level strategy is concerned with issues arising through the co-operation of a firm with other businesses.

At the business level, a strong argument can be put forward that a football club does in fact only operate in one business sphere, which is the football business. This is to a great extent true for the majority of clubs in this study, but there have also been a number of

commercial and other developments at clubs which differ in their nature and focus from the footballing activities of clubs. The core business activity of all clubs is league competition. The league competition business does involve the provision of a team manager, coaching staff and players. The youth development activity does to some extent tie in with this but clubs are also producing players for sale to other clubs, which can then be seen as a different business (5.3, 5.4 & 5.5). The business also includes all issues related to the event football match, which especially means ground developments for spectator comfort, the marketing of the club to spectators, merchandising and match day catering (5.6, 5.7, 5.8 & 5.9). The second business sphere of clubs is formed by the commercial and social activities clubs have been found to be involved in (5.10 & 5.11). These activities are often only of minor importance, but this area has developed considerably in recent years and is set to become ever more important. The activities considered here are those which demonstrably extend the nature of the football club from league competition and the staging of the football match event. Precisely, they are retailing operations of clubs, 7-day-a-week bar and catering facilities, corporate and private entertainment, the operation of diverse sports & leisure facilities and community related activities.

At the corporate level, the important issues to address are the fitting together of the different business activities of clubs, the basis for the choices of particular business spheres, overall financial performance and investment decisions, and ownership structures (5.12 & 5.13.1). A particular focus will be on the central role of the ground facilities as main fixed assets of clubs (5.6).

At the multicompany level, strategic issues mainly address the role of clubs as members of the Football League or the football industry as a whole. In detail, forms of co-operation between Football League and Premier League clubs and forms of co-operation between Football League clubs and other industries will be discussed. As a last discussion point, possible industry-wide actions at league level and the role of the Football League as regulative body will be considered. Table 6.7 outlines the strategic issues at the different strategy levels.

Strategy Levels	Strategic Issues
<i>Business Level</i>	<u>League Competition</u> : Manager/Player Selection, Youth Development, Ground Developments, Marketing, Merchandising, Match day Catering
	Young Player Production for Sale
	<u>Commercial/Social Activities</u> : Retailing, 7-day-a-week Bar & Catering, Corporate & Private Entertainment, Operation of Sports & Leisure Facilities, Community Activities
<i>Corporate Level</i>	Choice of Business Spheres, Links Between Businesses, Financial Performance, Ownership Structure, Ground Facilities as a Central Element
<i>Multicompany Level</i>	Co-operation Between Lower League and Premier League Clubs, Co-operation of Clubs and other Industries, The Role of the League as Regulative Body

Table 6.7: Strategic Issues and Strategy Levels

6.3.2 Business Level Strategy

In the previous part, three different types of business activities have been identified for football clubs. The business strategy of clubs will be addressed by drawing on the strategy content frameworks outlined in chapter three.

6.3.2.1 League Competition

As a starting point to the discussion of the league competition business, it can be said that the research data confirm to a great extent the findings of Szymanski and Kuypers (1999) who concluded that the football industry can be considered literally as an efficient market, where the clubs with the highest revenues and the highest expenditures are able to attract the best players and enjoy long-term success.

Clubs with high revenues do tend to benefit from natural advantages such as being located in a highly populated area. Under the consideration that a football club cannot relocate, this means that a club's industry position is to a great extent predetermined by unchangeable environmental conditions and subsequently there is very little opportunity to establish competitive advantage (5.2). The market forces in the industry will tend to offset a short-

term competitive advantage gained through the possession of a good player or team manager as these resources will be sooner or later acquired by the bigger clubs in the industry (5.3 & 5.4). The other factor which contributes to the lack of strategy-making potential in the industry is the regulated nature of football. All firms use very similar resources and employ similar techniques in utilising them: there is a transfer market for players, a market for team managers, the football ground facilities are very similar, developments at the grounds are guided by government interventions, most clubs have the same approach to marketing the club and the majority of club shops stock the same goods (5.9 & 5.10).

Nevertheless, there are clubs which seem to perform better than clubs with similar revenue and expenditure levels and there are clubs from similar sized population areas with highly differing performance levels. D'ell Osso & Szymanski (1991) have identified three types of competitive advantages that these clubs might possess: reputation which leads to a higher than average demand, a strategic asset in the form of a uniquely successful manager or player and an internal structure which creates exceptional output. In D'ell Osso & Szymanski's study, reputation was created by the history of this particular club and the history of a club includes past performances and stories, myths and sometimes tragic events surrounding the club. Comments in the interview survey confirmed that these factors do influence a club's ability to attract spectators to their games.

A uniquely successful player or manager is definitely a strategic asset for a club. In the majority of cases it is through chance that clubs have outstanding managers or players, so that no strategy for finding them could be identified. But there is an observable difference in club behaviour which can be characterised as strategic: Some clubs expressed a commitment to promoting managers from within their structure, an approach which is a clear alternative to employing a manager from the market (5.3). The research data does not provide any evidence to decide which method is more successful, but in the light of the many bad managerial appointments football clubs are making, this approach might prove more fruitful in the long run. In the same way that team managers can be promoted from within, first team players can be produced for the first team. For clubs without the financial resources to acquire sufficient playing resources on the transfer market, this approach can be seen as a strategic alternative. Both these outlined approaches pre-suppose a certain amount of organisational expertise. Promoting a potentially successful team manager from within requires organisational knowledge in the form of coaching methods and senior team managers who can act as teachers. Some clubs might have these skills, others might consider building them, but generally this internal capability does broadly refer to D'ell

Osso and Szymanski's (1991) finding that internal structure which creates superior output. In Kay's (1993) terminology this would be an issue of architecture. The evidence for the use of the promotion from within option is rather weak, but there is considerably more data available on the youth development issue, which will be discussed in the next part of this section.

Apart from player and team manager related issues, ground developments as well as merchandising and marketing activities have to be included in the league competition value chain. Most of these activities are support activities and bear no real potential for creating competitive advantage. The research data identifies them as add-on activities which have enhanced the football product over time but because of their universal adoption have not led to the creation of competitive advantage, which in this case would mean above-average attendances. One strategy which has the potential to achieve just that is that of the indoor ground. Although still only in the planning phase, indoor grounds have the potential to greatly improve the comfort of watching a football match, especially in a cold and rainy country such as the UK. The strategic question which has to be addressed in this context is whether the high initial investment is feasible for small clubs and whether it can be warranted by a future increase in revenues (5.6).

6.3.2.2 Young Player Production

Young Player Production is a strategic alternative to the acquisition of playing talent from the transfer market. According to the data, a steady stream of young players to the first team can be a source of considerable cost savings for clubs. For a few clubs though, player production is not only a means to save costs, but also a main income generating measure (5.5). From this point of view, player production is a distinct business activity, the product being the young player and the customers being other clubs in the industry. The market for young players is competitive and in recent years Premier League clubs have acquired young players from several European countries. At the same time, there is a constant demand for promising young talents and there are no signs that this demand will weaken in future.

The research data shows that producing young players is to a considerable extent down to chance, but some clubs could be found who had a particular focus on youth development. It can be further concluded from the research data that the success of the youth development schemes at these clubs was based on an explicit belief in youth, on stability in

coaching appointments, an interest in different coaching methods and technological developments in the field as well as the provision of excellent facilities. These resources combine to create an organisational "youth development capability". As this capability combines different organisational resources in a unique manner, it can be characterised as a form of architecture in Kay's (1993) terms. The adoption of the latest coaching methods and technological developments identifies an innovative capability. Finally, it can be remarked that those clubs with long-running successful youth schemes have built a reputation for their player developing skills which puts them in a superior market position both on the supply side and on the demand side. Young players entering professional football might choose to join the schemes of these clubs because the success of young players there is clearly identifiable and for the same reason clubs searching to buy a young talent might be inclined to first consider these well-known sources.

6.3.2.3 Commercial and Social Activities

From a strategy perspective, the various commercial ventures and community activities of clubs do represent a different business activity to staging football matches because the products clubs are providing are of a different nature and aimed at more diverse customer groups. The research data states that the aim of those activities is to generate extra income for the club and to create interest for the club in the local community (5.10 & 5.11). The operation of those diverse ventures raises a number of critical issues for clubs: first of all, extra financial resources are required to build and operate those facilities. At the human resource level, clubs might need extra staff and additional commercial skills. Commercial skills are especially crucial to success in these areas and the data has shown that on some occasions clubs refrained from operating the facilities themselves and opted for leasing them out instead because they lacked the management expertise.

Each individual commercial activity has to compete with a number of established local competitors and for each market a different set of competitive advantages might be required. This means that in order to be successful with their commercial ventures, clubs must gain management expertise in each of their new markets and devise individual strategies for each activity, based on an assessment of the critical success factors in that market. The research data gives the impression that clubs have not fully considered this shift of their operations into new markets. Because the football industry commonly exchanges information about commercial ventures, the impression is given that rather than

assessing their local market conditions, clubs take the developments at other clubs as a guideline for their own developments.

Some club chairmen have indeed explicitly stated that they would like to emulate the commercial success of big clubs such as Manchester United in a small way. This type of comment seems rather naïve in the light of the research results because it fails to acknowledge that big and small clubs face very different market conditions. Manchester United's commercial development was made possible by their position as one of the best supported clubs in the world; small clubs will never possess this type of competitive advantage and therefore there seems to be only very limited use in viewing developments at the bigger clubs as possible routes to follow. As the most commercial activities have been only seen as add-ons to the football business, clubs run the risk of lacking the capabilities and resources to compete successfully at the business level in the long-run.

6.3.3 Corporate Level Strategy

Corporate level strategy is concerned with the organisation as a whole. The main issues at identified by the strategy theory at this level are the choice of business spheres and the links between businesses. Another issue which has been raised by the research data is that of ownership. This part will first assess club behaviour according to the corporate strategy frameworks outlined in chapter three. Next, the different types of ownership options open to clubs will be discussed and finally, the potential for clubs to create competitive advantage at the corporate level will be explored.

6.3.3.1 Corporate Strategy Frameworks

Corporate strategy theory outlines three ways in which business spheres are chosen and linked: the portfolio approach chooses business units according to their profit earning potential; Individual businesses are essentially independent and the corporate function is to control the allocation of resources in such a way that revenues for the organisation as a whole are maximised. The linkages approach advocates closer links between business units. In this perspective the corporate centre should aim to achieve synergy between the business parts by creating value-adding linkages through the transfer of skills and the sharing of activities. The core competence approach puts forward the argument that the

roots of competitiveness lie within the corporate whole and that business units are linked by a set of core competencies possessed by an organisation.

An interpretation of the corporate strategy issues for small football clubs thus has to start with an assessment of the reasons why clubs operate in their individual business spheres. According to the statements on club mission and objectives, the core activity and *raison d'être* of clubs is the staging of football matches. The production of young players is not viewed as an individual business at this level because youth development can generally be seen as an integral part of the football process. Additionally, clubs are involved in a number of commercial and community related activities. Commercial activities are aimed at providing additional income for the clubs to support the football business. Community activities are an expression of the perceived social role many club directors feel a club should play in its local community.

The next step in the interpretation process is to identify the nature of the links between the football, commercial and community activities of clubs. The centre of activity for football clubs is their ground facility. An average ground facility incorporates a pitch where the matches are played, training facilities and stands for spectators, the space under which is used for the club house, changing rooms, the club shop and possibly other types of ventures. Considering the football activity as the core business, a first group of commercial activities is linked to the event football match. Activities such as selling merchandise to spectators and match day catering are strictly add-on activities to the core business and would not exist without the match itself.

A second group of activities is linked by being located at the ground. These activities include the 7-day-a-week bar and catering facilities, the banqueting suites and conference facilities for private and corporate clients, the fitness centres, bowling alleys, squash and tennis courts and all-weather pitches. All these activities are intended to provide revenue for the clubs on non-match days. The crucial issues to be considered here are ground location and human traffic at the ground. The link between the commercial ventures and the club is the location rather than the nature of the activity, although it can be argued that there is a given similarity in as much that all activities are sports and leisure-orientated. From a business point of view though, the activities are different because they are aimed at different sections of the local market. The location of the ground can be an advantage or a disadvantage. Football grounds are located in different areas of local communities with different types of infrastructure surrounding them. Some grounds will be easy to reach and others will be located in more remote areas. The location of the ground impacts on the

level of human traffic it can generate and this level of traffic would seem to be an important factor in running profitable all-week ventures at football grounds. Another more positive link between the different businesses is the corporate image of the clubs, which will go some way to interest regular spectators in any additional commercial activities a club has to offer. Nevertheless, it has to be considered that there is clearly a difference between spectators coming from all areas of the community to watch a football match and attracting people to the ground on other weekdays for purposes other than football.

A third group of commercial activities can be distinguished which do not have a directly identifiable or vague link to a club's football business. These activities are the operation of retail facilities in city centres and the running of night clubs. Retail facilities are linked to the club because in most cases they represent extensions to the club shop but do not only sell club merchandise. The main linking pins for those operations are the common theme of sport and the extension of the corporate club image to high street sports goods retailing, which can provide the benefit of attracting customers who have had contact with the club through attending matches. Two clubs in the interview survey were found to own night clubs. In one case, the club was located at the ground, in another case the club was independently acquired. The last operation in particular is completely unrelated to the football business of a club, although again match spectators could potentially get interested in the night club through marketing at matches. Community activities of clubs are often related to the ground facilities of clubs because many of those activities are either sport-related or involve the use of function rooms at the ground for alternative uses. Another group of social activities consist of addressing pressing social problems in the local communities through campaigns and the like. These activities are either directly linked to the football matches in order to achieve high awareness or more indirectly linked to the general social role a club is playing within its local community.

On the basis of this discussion, it is now possible to review club behaviour in relation to the corporate strategy frameworks. The first perspective to be considered is the portfolio approach. The usefulness of this approach in this context is firstly contradicted by the nature of football club objectives. Clubs have clear non-profit-making objectives when they play football or when they involve themselves with their community. There are also only very few instances when it can be said that the only link between the different business activities is common financial control. The majority of commercial activities is either linked directly to the staging of matches or represent an extension of the use of ground facilities.

The second perspective to be considered is the linkages approach. This view argues that firms may create synergy between activities by transferring knowledge on how to perform activities in the value chain of a business. In order for a transfer of skills to lead to competitive advantage, business have to be similar enough for the transfer to make sense and the transfer should involve activities which are important to competitive advantage. The second way to create synergy put forward by this approach is the sharing of activities that are significant to competitive advantage in order to lower costs or raise differentiation. Through the staging of football matches and the operation of their ground facilities, clubs have developed skills in event management marketing, catering, corporate hospitality and retailing. These skills can be seen as the basis for the diversification as many of the commercial ventures of clubs are a somewhat extended form of a match day activity. It must be said that although these skills have enabled clubs to set up these commercial ventures, it is not clear to what extent the skill transfer is relevant to competitive advantage in these new ventures as there was also evidence in the research data which stated that clubs were lacking the managerial expertise to manage diversified operations successfully. Since the development of most of the ventures is closely linked to the ground facility, this can be interpreted as the sharing of an "activity". Clubs are certainly achieving synergies by aiming to maximise the use of their facilities by sharing their grounds with other sports and making facilities available to members of the community, but again it is very difficult to estimate to what extent the sharing of activities contributes to competitive advantage in a particular activity area. Arguably the most valuable "skills" football clubs possess which could provide a competitive advantage in another business are their loyal supporter base and their high profile image in the local community. A loyal customer base is a crucial component of every successful business and a high profile public image represents a unique marketing opportunity for any type of business.

The final perspective to be considered is the core competence approach, which states that successful diversification is based on the core competencies of a firm. This view ties very much in with the linkages perspective; the basis for the linkages outlined above can be interpreted to be the core competencies of a club. A football club's core competence is to stage a football match and to operate its ground facilities. As said above, the competence of event management in combination with the ground facilities has been the basis of the majority of diversified operations. At the same time, it is unclear whether the core competencies are also key to the development of competitive advantage in those new business areas. It remains debatable to what extent experience in the football business can

be applied to other business settings, so that it can be concluded that both the linkages and core competence approaches are useful tools to explain the behaviour of clubs, but since none of the clubs had intentionally adopted any of the approaches and the contribution to competitive advantage in the individual business units remains unclear, their true potential to create synergies for diversified businesses can not be assessed.

6.3.3.2 Ownership Structure

It emerges from the research data that the issue of club ownership has some strategic significance. Traditionally, football clubs have been owned predominantly by wealthy individuals. The single majority shareholder is still the most common form of ownership, but other forms of dispersed shareholding have also been found. Most frequently, a group of directors held the majority of shares, but in one case, a percentage of shares was owned by supporters of the club who elected a director to the board. Two of the clubs in the sample were in the process of preparing a stock market flotation at the time this research was carried out (5.13.1).

These developments show that there are a number of ownership structures which clubs can adopt, each of which can be expected to have an influence on future objectives of clubs. With a single majority shareholder it seems as if the objectives of the club will, more than in any other form of ownership, be inextricably linked to the aspirations of the main shareholder. This can often lead to an emphasised pursuit of sporting objectives or give business development at the club an entrepreneurial push in a particular direction. By dispersing shareholdership within club supporters, objectives of a club might shift more into the direction of the community with social goals of the club being potentially given higher priority. Floating a club on the stock market will be fundamentally different from the two previous forms of ownership because a flotation would create the objective of profitability and shift the emphasis from not-for-profit objectives to profit objectives. Flotation can bring a considerable amount of investment to a club; the important issue here is whether this investment can be used to gear clubs up to become profitable in the long-run. From this perspective, an increased need to generate profits can be expected to force clubs to be more focused on developing their revenue base and having a more considered approach to their spending.

6.3.3.3 Competitive Advantage at the Corporate Level

It can be reasoned that since the potential for creating competitive advantage at the business level is extremely constrained by environmental conditions, corporate level strategy might provide more opportunities for achieving competitiveness. Viewed from the corporate perspective, clubs seem to have a higher amount of strategic manoeuvrability simply because their potential for differentiation is greater. Competition at the corporate level combines the sporting, commercial and social objectives of football clubs.

At the corporate level, the focus is much more on the position and role of each club within its community as a base for competitive advantage rather than direct competition with other league clubs. The nature of competition at this level has a different character because unlike in league competition, clubs are not bound to follow strict regulations. For each club, the local market displays different characteristics and even though it has been argued in the business strategy part that environmental conditions strongly constrain strategy-making ability, the differences in those markets do potentially offer opportunities for pursuing different activities. Corporate level strategy for clubs is about the performance of the club as an organisation; this means that at this level the financial position of the club and the level of community integration and support are measures of success. The financial position is an indication of the success of commercial ventures and support in the community is an indicator of how much club activities are valued within the community. It is clear that the biggest contribution a club can possibly make to its community is to be successful in league competition, but since the key success factor in this area is the availability of financial resources, the more important competitive issue can be identified as the need to develop the club as an organisation which is more capable than other clubs to generate profitable business from its local environment.

Competitive advantage at the corporate level is based on a club's unique reputation as a local institution and the ability to exploit that position by venturing into business spheres in which these attributes allow the creation of new sources of competitive advantage. There is evidence in the data where clubs were concerned with the development of a club "brand", or the corporate image of a club. Corporate strategy addressed the nature of the business of a club and one observable phenomenon is that some clubs see their future as being much more diverse entertainment providers.

Successful strategy-making at the corporate level can furthermore be expected to be a long-term influence factor on a club's ability to achieve league success. A club which enjoys a superior community integration might be able to widen its supporter base and in

combination with surplus revenues from individually developed commercial activities it might be able to generate higher revenue levels than competitors located in similar-sized markets. The crucial point of this reasoning is that due to the different circumstances each club is facing in its local environment, the developed strategic actions might be easy to observe but prove more difficult to imitate. At the present moment, this type of thinking is only weakly developed in the industry. Commercial ideas are being freely passed around between all the clubs and most clubs adopt the commercial ventures which are successful at other clubs rather than aiming to pursue different and new avenues. As a result, the competitive advantages which clubs develop spread quickly through the industry and are thereby eroded. Many clubs have stated that commercial ideas are passed on to other clubs because clubs are not competing with each other locally (5.13.2 & 5.13.3).

From a strategy point of view this is a misconception because commercial development is in fact the one key area where competitive advantage can be created. Since competitive advantage means being different or better than competitors in one way or the other, present practice ensures that clubs look more and more alike. In this respect, the football industry is a good example for Kay's (1993) copycat strategy, where organisations do not aim to create unique capabilities but constantly copy what their competitors do instead. As a result, competition is very intense and all members of an industry will suffer from low profitability, a very apparent malaise in football.

6.3.4 Multicompany Level Strategy

In the football industry context, multicompany strategy is of interest because while clubs are in competition with each other in league competition, they have a number of parallel interests that can best be served by co-operation. This next part will identify the different instances in which co-operation between clubs was identified as an option by the research data, characterise them according to the theoretical frameworks outlined in chapter three and address more general issues raised regarding the role of the industry's regulative bodies.

6.3.4.1 Strategic Issues at the Multicompany Level

Multicompany strategy in the football industry addresses a number of different co-operative arrangements raised through the research data. A first form of co-operation to be considered is that of Football League clubs co-operating amongst themselves. Secondly, types of co-operation between Football League and Premier League clubs will be examined before finally reviewing types of co-operation between clubs and firms from other industries.

By taking part in league competition, all Football League clubs are co-operating with each other. The need for co-operation in order to produce the product has been outlined at length in the football industry chapter. This part is concerned specifically with issues related to the control of competition amongst the clubs and with the mission of the League to represent the clubs as a whole.

The football industry is regulated by a number of bodies, the Football League, the Premier League, the FA, UEFA, FIFA. All these bodies are involved in some way in regulating competition between clubs and all of them will see it as a part of their role to provide strategies which will benefit individual clubs. In this instance, the focus is on the most relevant body for the sample clubs, the Football League. From the sporting perspective, the role of the Football League is to control competition. The propositions identified by the research data, such as limiting the number of players and introducing salary capping, are mostly concerned with measures which would contribute to a control in the wage expenditures of clubs (5.4.3). Clubs believed that the introduction of such measures might benefit the finances of the industry as a whole, but from a competitive perspective and from events in the past, it can be expected that the intensity of competition and the reigning market forces will undermine such measures in one way or the other and the current divisions and financial problems of the industry will remain. A strategically more important issue is the role of the Football League in representing the clubs at a national level and as policy-maker for this industry segment. The national representation is important for clubs who by themselves can only achieve local impact. Under current practice, the Football League is negotiating contracts with media companies on behalf of the clubs as well as national sponsorship for the League as a whole (5.8). Some criticisms in the research data have focused on the lack of a "modern" image of the Football League. This policy issue is of crucial importance to all clubs in a time where football is as much a television sport as a spectator sport. One of the reasons for the top clubs to break away from the lower divisions of the Football League was to create a new "brand" image of top

level football. The need to represent their competition in a more "modern" manner was expressed by a number of chairmen, but developing this new "brand" image was seen as the duty of the Football League, who seems unable to develop a coherent policy to tackle this issue. It seems that the Football League has failed to build its own strong identity following the Premier League break-away. What seems to be required is an understanding that the League and its member clubs will gain no long-term benefit from being seen as the problem child of the Premier League.

The football industry is clearly split into two segments, top flight and lower division clubs. From a strategic point of view, this division should be seen as an opportunity to establish a league competition which creates interest and has integrity in its own right. Such an approach will require an objective assessment of the position of the League within the sporting and media world. Creating its own identity might further require improved marketing of the league to the public and possibly a number of structural changes in the nature of competition which will differentiate League football from Premier League football. As the lower part of the industry, the League is potentially in a better position than the top clubs to experiment with possible changes to the nature of competition; whether changes will be for the better or not is hard to say, but considering the current situation of League football, changes can hardly be for the worse.

Co-operation between Football League and Premier League clubs in a direct form is prohibited by FA regulations, but it can be considered as a possible alternative for the future. The main reason for clubs at different ends of the industry to co-operate is the exchange of players (5.4). A number of co-operative arrangements with tight or loose links have been outlined in the data analysis. In more informal arrangements clubs could agree to loan players on a short-term basis to each other; on the other hand, clubs could have formal co-operative agreements with each other which could go as far as the Premier League owning the small club completely and using it as a "nursery club" to develop players for itself on an on-going basis. For the smaller club, such a development would mean a shift in objectives away from being primarily concerned with sporting success to having a subsidiary function in a larger organisation. While this might have a negative impact on the identity of a club as a whole, it would at the same time free the small club from its financial worries.

Co-operation between clubs and firms from other industries is imaginable when two parties can uniquely combine as elements of a value chain in the delivery of a product or service (5.10). In the instances where this was reported in the research data, clubs were involved in selling financial products and holidays. Clubs can offer their "brandname"

which brings a certain level of public attention and can serve as a vehicle for the marketing of diverse products. A particularly close co-operation exists between the clubs and media companies. With the rise of football as a television sport, clubs and the media combine in bringing football to people's homes. At the present moment, clubs are merely selling the broadcasting rights to television companies, but a much closer co-operation might develop in the future. At the top end of the industry it can already be observed that media companies are buying shares in football clubs and the SKY TV - Manchester United take-over bid is just one example of this trend. How these kinds of developments will affect the clubs in the lower leagues remains to be seen. The small clubs are probably too small to be targeted on their own, but it seems possible that a league competition as a whole might enter a co-operative arrangement with a media company.

6.3.4.2 Strategic Issues and Multicompany Frameworks

Football club co-operation in league competition is a form of horizontal integration. Together, clubs are able to make a national impact and occupy a stronger bargaining position. The league can thus almost be seen as a joint venture. What is specific to the football industry is that there is a clear need for multicompany strategy because football as a product needs to be marketed at both the national and local levels.

Co-operation between small clubs and big clubs is a form of downstream or upstream integration, depending from which angle the arrangement is viewed. Small clubs are suppliers of playing talent to the bigger clubs and carry out a form of research and development function.

Co-operative arrangements between football clubs and firms from other industries are mainly straight diversifications into new business spheres; the closer ties with media companies can be interpreted as a form of vertical integration. It seems though that since it is more the case of clubs being taken over by media companies rather than the opposite, it is a form of upstream vertical integration on the part of the media companies who aim to gain more control over the suppliers of the product they provide to home viewers.

6.4 Small Business Strategy-making

The aim of this section is to characterise the observed behaviour of clubs according to the framework of small business strategy-making outlined in chapter three (Table 3.3). The first set of characteristics focuses on characteristics of the process itself, starting with the proposition that in the small business environment strategy-making tends to be informal, incremental, unstructured and irregular. The other process characteristics put forward by the framework include a lack of formal analysis, an increased importance of financial issues and a distinctive short-term focus.

The research data is laden with evidence to support these views of the strategy process. The sample clubs did not have formal planning departments or specific planning personnel. Strategies were found to be developed discussed and selected during board discussions. Club chairmen were often carrying out personally the environmental scanning element of strategy-making (5.13). The process was also found to have an incremental character as clubs were carrying out activities on a trial and error basis and because environmental constraints were perceived to be so influential on the process that muddling through was the only feasible approach to adopt. It was additionally observed that strategy-making activities were often triggered by events in the environment, giving the process an unstructured and irregular character. Clubs were found to carry out some formal analysis in the form of regular financial analysis and less frequent customer market research. Aside from these two instances, environmental analysis was done on a personal basis, with club chairmen often fulfilling a scanning role. It can also be clearly deduced from the study results that financial issues play an important role in club strategy-making (5.12). The majority of clubs is constantly on the verge of bankruptcy and the generation of financial resources is one of the most pressing issues in the football context. The clubs in the study were also found to have a short-term focus in the process, with a review of financial issues tending to be on a monthly basis and the standard timeframe for strategy-making being to a great extent determined by the seasonal nature of football competition.

A second set of characteristics is more concerned with the effect of environmental conditions on the strategy-making behaviour of clubs. It is claimed that small businesses tend to be unable to cope with external environmental pressures, that a lack of time and planning skills restrict their planning ability and that success is due to luck rather than successful planning (5.13.5). The study results clearly indicate that clubs do indeed have difficulties to cope with external pressures to the extent that courses of action are often strongly influenced by environmental conditions or even being forced upon the clubs by

outside agencies. The data further showed that clubs tended to be preoccupied with operational issues, but there was no conclusive evidence to support the claim that these businesses were not engaging in formal planning due to a lack of time. Comments from the interview survey indicate that lack of time was not seen as an issue but it was rather believed that formal planning procedures were of little use in their specific environment. There was also no evidence to support the claim that club managers lacked the skills to carry out formal strategic planning as in the majority of the sample organisations the directors held management positions in other bigger organisations where they were familiar with formal planning methods (5.13.1). The last proposition that success is due to luck rather than planning is again verified by the findings of this study. A number of accounts have outlined a host of circumstances which can have an influence on the success of a football club. The most basic finding to support this view is that a football match can, due to its very nature, not be controlled and for this reason its outcome can not be planned for. In summary, the observed strategic behaviour of small football clubs was to a great extent consistent with the propositions of the small business strategy-making framework (5.13.5). Table 6.8 summarises the findings for this section.

Small Business Perspective Findings		
INFORMAL, INCREMENTAL, UNSTRUCTURED, IRREGULAR PROCESS		
LACK OF FORMAL ANALYSIS		
IMPORTANCE OF FINANCIAL ISSUES		
SHORT-TERM FOCUS		
INABILITY TO COPE WITH EXTERNAL PRESSURES		
LACK OF TIME FOR PLANNING		
SUCCESS IS DUE TO LUCK RATHER THAN PLANNING		
<input type="checkbox"/> = little evidence	<input checked="" type="checkbox"/> = some evidence	<input type="checkbox"/> = strong evidence

Table 6.8: Findings and the Small Business Framework

6.5 The Not-for-Profit Perspective

The framework for strategy-making in not-for-profit organisations presented in chapter three (Table 3.2) outlines a set of characteristics focused on the objectives of those organisations, process influences and adopted strategies.

The first two propositions are concerned with organisational objectives. The framework states that in the not-for-profit context, the existence of divergent goals leads to goal conflicts which in turn restrict the rational planning ability of these organisations. It is further stated that ambiguous objectives allow managers considerable freedom to interpret their role in the organisation, which can create goal displacement and internal politics.

The findings of this study show that football clubs have sporting and financial objectives. Financial and sporting goals are conflicting because sporting success can in most cases only be achieved by sacrificing financial objectives (5.2). The conflict between these two objectives is a fundamental issue for clubs and the effect of that conflict on rational planning is exemplified by the finding that clubs have very detailed budgeting processes in place but do not manage to stay within their budgetary limits when it is decided to give priority to sporting objectives (5.12).

The second issue of goal displacement and internal politics is also clearly observable in the football club context. There is evidence in the data which shows that especially team managers enjoy considerable freedom in pursuing their duties for the organisation. Team managers, due to their key role, are able to develop own power bases in the industry as well as within the clubs themselves. Internal politics develop when club directors follow the promises for sporting success made by team managers and agree to player transfers which too often do not provide the desired success levels. A result of this political tension is the high turnover levels in the team manager position (5.13).

The next proposition is closely connected with the issue of politics. It states that professionalism in not-for-profit organisations can slow down or block required behavioural changes in response to changing environmental conditions or organisational missions. The discussion of the strategy-making process earlier in this chapter has shown that professionalism is an important issue in the football context. Football is a very traditional industry with organisational structures and roles which have hardly changed in decades (5.3 & 5.4). It was deduced that a strong industry paradigm is in operation in football and the roles of players, team managers and directors are grounded within this paradigm. Players, team managers and directors all have their own power bases and to

some extent each group is concerned with sustaining that position. There is evidence in the research data which indicates that the individual perceptions of these groups are slow to change and can be difficult to adapt to organisational needs. For example, it can be argued that the mission of clubs has somewhat shifted from being predominantly concerned with sporting success to give more consideration to financial viability and long-term prosperity (5.2). Clubs need to develop youth development capabilities, commercial capabilities and above all they need to build stronger financial bases. Players and team managers still seem to pursue their own objectives too stringently and as a result, wages have spiralled upwards and clubs are still too often resorting to the doubtful option of buying success in from the transfer market.

The final set of propositions is more concerned with actual strategic behaviour rather than the process itself. The first of those claims that in a not-for-profit environment organisations tend to shift their focus away from customers and towards resource providers. From the research findings, it can be deduced that this seems to be a common occurrence in the football industry, although there is the special circumstance that resource providers are often also customers. From this perspective, this behaviour cannot necessarily be qualified as a focus shift, but it can nevertheless be remarked that most football clubs have a very strong focus on the needs of their sponsors and many are going to great lengths to provide facilities such as sponsors' lounges and the like (5.8).

The second last proposition describes the rationale behind diversification strategies. Not-for-profit organisations tend to develop new activities in order to generate funds to provide revenue to help subsidise their primary activity. This behaviour is clearly reflected in this study; the main activity of football clubs is league competition and the majority of commercial ventures are undertaken due to the need to provide additional funds to support the playing side of the club (5.2 & 5.10).

Lastly, not-for-profit organisations tend to establish links with other organisations of their kind in order to enhance their capacity to acquire resources. Again, the co-operative ties between clubs outlined in the previous section on multicompany strategy conform to this proposition. A perfect example of that behaviour is the link-up between clubs in order to be able to attract national sponsors for their competition (5.8).

In summary, it can be said that according to the results of this study, the strategic behaviour of clubs is very characteristic of that of not-for-profit organisations. The following table 6.9 summarises these findings.




Not-for-Profit Perspective Findings		
GOAL CONFLICTS RESTRICT PLANNING		
OCCURRENCE OF GOAL DISPLACEMENT AND INTERNAL POLITICS		
PROFESSIONALISM LIMITS STRATEGIC CHANGE		
FOCUS SHIFT FROM CUSTOMERS TO RESOURCE PROVIDERS		
STRATEGIC PIGGYBACKING		
ORGANISATIONAL LINKING		
<input type="checkbox"/> = little evidence	<input checked="" type="checkbox"/> = some evidence	<input type="checkbox"/> = strong evidence

Table 6.9: Findings and the Not-for-Profit Framework

6.6 Summary

This chapter has characterised the strategic behaviour of clubs according to the respective frameworks for the strategy process, strategy content, small business strategy-making and not-for-profit organisation strategy-making.

The process section relates club behaviour to 6 perspectives of the strategy-making process. The study results showed that the strategy process in small football clubs has an emergent and political character. Evidence to support the strategic planning and design school approaches was weak. Clubs did not have sophisticated planning procedures in place and the data did only confirm the propositions that strategy-making is a top management activity. There was substantial evidence in the research data to support a number of propositions of the remaining 4 approaches. Club behaviour was characteristic of logical incrementalism because the process phases were found to be interlinked and clubs were engaging in constant environmental scanning, using trial and error approaches, decision-making was not strictly based on formal analysis and unexpected events tended to be a big influence factor. The disjointed incrementalist view explained the political character of the process, where issues are dealt with when they arise and resolved through debate and discussion. The interpretive perspective proved useful in explaining that strategy-making is to some extent expressed in organisational routines and beliefs, although in the football context it has been concluded that the dominant paradigm is an industry paradigm rather than an organisational paradigm. Lastly, the enforced strategy perspective was relevant because the clubs under investigation had to cope with strong environmental influences and powerful outside agencies which imposed strategic courses of action on them. Table 6.10 provides a summary of the findings for each of the process perspectives.

dependant on the market conditions in their local environment, on the resources available to individual clubs and on the management expertise clubs possess in the new product markets.

At the corporate level, the choice of business spheres has been addressed and the links between individual businesses have been examined for their nature. It was found that the football business is the very reason for a club's existence. Commercial activities are either add-on activities to the football match event or broadly related to the sports, leisure and entertainment sector. Community activities are a result of the belief that a football club should play a social role within its community. When not linked to the football match event, commercial activities are linked through their location at the ground facilities and if that is not the case, they are more broadly linked by the "corporate image" of a club as a sport and leisure institution. In very few instances, commercial activities seemed to be only linked to clubs through ownership. As this was only rarely the case, the portfolio approach to corporate strategy was not found to be relevant in the football context. The diversification of club activities can be said to be more characteristic of the linkages and core competence approaches. Clubs did to some extent transfer capabilities and skills, share activities and develop activities based on their core competence of staging sporting events and operating leisure facilities.

At the multicompany level, the co-operation between clubs in the Football League format has been characterised as a form of horizontal integration, with the league providing national sponsorship for clubs and providing a corporate image for the league competition as a whole. The co-operation between big and small clubs in the industry has been interpreted as a form of vertical integration, where clubs develop closer ties aimed at improving the supply of their main input material, players. On occasions, clubs have joined forces with other businesses to launch new products. This form of diversification usually combines the capabilities of two businesses which allows both of them to enter new markets or market segments. The potentially closer ties between media companies and clubs can be seen as a form of vertical integration as these two parties are partners in the value chain which delivers the football product as a form of in-home entertainment. For a summary of these findings, please see table 6.11 on the next page.

Strategic Issues	Strategic Behaviour - Key Influences - Sources of Competitive Advantage
<i>Business Level:</i>	
League Competition	Regulated market, limited strategic freedom - Possible alternatives: Player transfers or youth development, team manager appointments from the market or within the club structure - Competitive advantage through location in a large market, through a strategic asset such as an outstanding player or manager, reputation leading to higher attendance levels. Ground Developments follow Taylor Report recommendations, some plans for indoor Grounds, availability of resources is a key influence factor. Match day catering and merchandising are add-on activities to staging football matches.
Young Player Production	Long-term cost-saving strategy and potential revenue generator - Competitive advantage through commitment to youth, superior coaching methods and facilities. Identifiable youth capability is a form of architecture, clubs can build up a reputation for youth development.
Commercial/Social Ventures	Success of commercial and social activities is dependant on local market conditions, commercial skills and management expertise of clubs. Activities are located in the same regional market, but in new product markets. Crucial success factors are availability of resources and capabilities of clubs in the new markets.
<i>Corporate Level:</i>	
Choice of Business Spheres	Staging football matches is the main purpose of all clubs Commercial activities are set up to increase the revenue base of clubs, the majority of activities are sports, leisure or entertainment related. Community activities are based on the role of clubs as community institutions.
Links between Businesses	Business activities of clubs are linked through the football match event, through ground facilities, through the club "corporate image". Some activities have no direct link apart from common ownership. Key success factors for commercial activities are the ground location, the local demand for sports, leisure and entertainment, the availability of finances and the potential to transfer the "football brand" to other activities. Diversification occurs mainly through adoption of successful activities throughout the industry, some evidence suggests a linkages and core competence approach, only weak evidence to support the portfolio approach.
Types of Ownership	Board majority shareholding, supporter shareholdership, stock market flotation
<i>Multicompany Level:</i>	
The Football League	The League controls competition, clubs can access national sponsorship through the league, it provides a corporate image for the league competition as a whole and representing a form of horizontal integration.
Top Clubs & Lower League Clubs	Clubs in different industry positions can co-operate on player issues. Clubs can exchange players to give them playing practice and more experience and a future option might be the "nursery club model" where a small club is entirely owned by a top flight club and primarily produces young talent. Form of vertical integration or joint venture.
Clubs and other Businesses	Clubs combine capabilities with other businesses to launch new products aimed at their supporter base. Form of diversification. Media companies and clubs combine in the value chain to deliver to football product on TV. Form of vertical integration.

Table 6.11: Summary of Strategy Content Interpretation

The strategy-making behaviour of small football clubs was also found to be to a great extent consistent with the propositions of the small business strategy-making framework. The process was generally informal, incremental and guided by environmental conditions, financial issues were of paramount importance, strategies tended to have a short-term focus and success was more attributed to luck rather than planning.

Finally, strategy-making in the sample clubs was found to be characteristic of strategy-making in not-for-profit organisations. Football clubs display conflicting financial and sporting goals as well as a high level of internal politics due to the "expert power" of their players and team managers. These conditions were found to restrict the clubs' ability to plan rationally. Furthermore, it could be observed that the central motivation behind clubs' diversification strategies was the need to support their core business of league competition.

Discussion and Conclusions

7.1 Introduction

The results of this study have confirmed that small football clubs experience considerable difficulties in making strategies, resulting from characteristics of their competitive environment and the approaches taken to the task. This chapter will review the reasons for those difficulties based on the previously presented findings before addressing possible implications for both the clubs and the industry as well as for the issue of strategy. Finally, this research report will conclude with an outline of an agenda for future research, derived from the shortcomings of the current work and from issues raised during the course of the study.

7.2 Answering the Research Question

There are a number of reasons why clubs are experiencing difficulties in making strategies; some aspects can be related to the competitive environment, others to the nature of clubs and their strategic behaviour. The next two sections will provide a summary of those conditions, starting with the more general aspects of the football industry.

7.2.1 The Competitive Environment

The competitive environment in which small professional clubs are operating can be characterised as follows:

- A cartel-like structure with a high degree of regulation
- A high level of uncertainty
- Little control over the core product or the production process
- Short-term business cycles
- Organisations which are inextricably tied to a regionally defined market

The influence of each of these characteristics on the strategy-making behaviour of clubs will be described in turn in the following parts.

7.2.1.1 Industry Structure and Regulation

The highly regulated nature of the industry leaves clubs very little opportunity to challenge or change established ways of operating. It also means that clubs are forced to follow decisions made by the governing bodies of the game which can be perceived as external pressures and as in the case of the Bosman Ruling, can have a negative influence on the financial situation of clubs. Within the League structure, individual clubs compete with each other but they are also partners in creating the product “football match” and “league competition” as a whole, which itself competes in the wider sports market (6.3.2.1).

There are a number of strategic issues to be considered at League level and the present structures do not seem very successful at providing the vision and guidelines which are required to ensure the long-term development of the smaller Football League clubs. Football is a traditional industry with long-established routines and beliefs and this circumstance has led to the development of a strong tradition, an industrial paradigm, which subsequently dominates strategic thinking in the industry. It is, moreover, constantly reinforced through frequent detailed information exchange between the industry members. There seems to be a strong drive for conservatism in the industry which has had the effect that innovative efforts geared towards changing the nature of club operations or the way competition is organised have only been weak (6.2.5).

7.2.1.2 Level of Uncertainty

Uncertainty is an essential component of the competitive process in this context. Football is a sport, match competition with other clubs is the core activity and an intrinsic element

of this event is uncertainty of outcome. Good fortune plays a considerable part in the success of a club on the pitch and in such conditions it is impossible to make reliable predictions about future developments (6.2).

7.2.1.3 Lack of Control over the Product

The theme of uncertainty in the industry environment is paired with a lack of control over the production process and the product itself. Players are the key resource employed by clubs and the playing form or fitness of an individual player or the team as a whole on a particular day cannot be predicted, nor is it simple to develop or increase team performance. In addition to that, the involvement of an opposing team means that half of the production process is generally out of the control span of any individual club (6.2).

7.2.1.4 Short-term Cycles

Football also has a predetermined yearly cycle which has the effect that clubs tend to adopt a short-term focus; short-term pressures dominate the agenda at the majority of clubs and the patience and endurance required for the realisation of a long-term strategy are often superseded by short-term measures geared towards ensuring club survival in the near future (6.2.3).

7.2.1.5 Link between Club and Local Market

A very specific aspect of the football industry is the link between clubs and their local community. The market for clubs is essentially regional and cannot be changed to any great extent. The success of a club and the potential for strategic development is strongly determined by the size and nature of the immediate local environment within which a club is located. The size of the market determines the level of support a club can generate and the level of financial backing it can hope to receive. The financial position of a club in turn influences the wage levels a club can afford and as playing talent in the industry tends to migrate towards the financially potent clubs in the long term, a club will always be conditioned its market size. Local market conditions can also have a restricting effect on

the type of diversified commercial activities clubs might be able to develop as the demand for individual activities can vary in each community (6.3.2).

7.2.2 Club Related Aspects

The reasons for the observed difficulties in strategy-making are also closely related to the nature of clubs and their internal conditions. The organisation of a club is determined by its objectives as a sporting organisation. Club-internal conditions refer to the lack of formal approaches to strategy-making used by clubs, the political nature of the decision-making process, the role of the industry paradigm and the lack of financial resources and management expertise in developing new commercial activities. The following parts discuss each of these aspects in turn (6.2, 6.4 & 6.5).

7.2.2.1 Club Objectives

The nature of football clubs as sporting organisations means that they have two conflicting objectives; on one hand clubs have a profit orientation because of the need to be able to sustain themselves financially if they are to survive in the long run. On the other hand clubs are orientated towards achieving sporting success, which, although it might bring financial success in its wake, is primarily an objective of an emotional rather than material character more often than not requiring a considerable financial investment. The financial well-being of a club is thus dependant on the balance which is achieved between those two objectives and a successful strategy would give consideration to both positions and this should be reflected in the financial guidelines clubs are applying. In practise, the emphasis at the majority of clubs tends to be far more on achieving sporting success rather than ensuring financial viability. Financial considerations are often ignored and decisions are motivated by the passion for sporting success. This is only possible due to the willingness of club directors to provide financial support and the tradition that football clubs are seen as a "plaything" of rich entrepreneurs who seem to take turns in subsidising the losses clubs are incurring (5.2).

7.2.2.2 Lack of Formal Planning

The lack of formal approaches to strategy-making does not necessarily constitute a difficulty as it is consistent with clubs being small businesses and the commonly reported use of informal and direct ways of communication typical for such businesses. Nevertheless, another reason for the lack of formal approaches is that many formal techniques cannot be applied in the football club context due to the different nature of decisions which have to be taken. Many key decisions at clubs are concerned with personnel issues, which cannot be solely based on any sort of formal technique (6.2.1).

7.2.2.3 The Political Aspect of Strategy-making

The politicality of the process has the effect that even though formal analytic techniques might be used in places, decisions are often taken under consideration of a much wider set of influence factors which go far beyond the limitations of a formal approach. It is much more appropriate to describe a football club as a collection of powerful groups with strategic action emerging from a bargaining process between each of these groups rather than simply viewing them as hierarchies (6.2.4).

7.2.2.4 The Industry Paradigm

Since the core activity of match competition only offers very limited opportunities for strategic development, the development of commercial activities has been a focal point of strategic actions undertaken by clubs. The existence of a strong industry paradigm and the rigorous information exchange between industry members has led to commercial developments being widely copied throughout the industry. The result of this leads the majority of clubs to attempt to carry out very similar activities, which has the potential to increase club revenues but which might fail to give particular clubs any real competitive advantage (6.2.5).

7.2.2.5 Lack of Resources

A more practical difficulty associated with entering new markets is the need to provide financial resources together with management expertise; both of these factors have been found to be hurdles in the successful implementation of chosen strategic courses of action (6.4).

7.3 Implications of Study Results for Sample Clubs and the Football Industry

The propositions for clubs and industry which can be derived from the above-presented research results follow the broad distinction which was made between the competitive environment and club related aspects.

7.3.1 Implications Related to the Competitive Environment

From a strategy perspective, the cartel-like structure of the football industry implies that there are a number of important strategic issues for clubs which have to be considered at the industry or league level.

Since the rise of football as a television spectacle, the public and media representation of the competition has become an important factor for creating demand and interest. To be successful, football has to appeal as a television product as well as a live event. Television reaches the vast majority of people within a community and is therefore an ideal vehicle to promote a particular game, or the competition as a whole. At the present moment, the representation of lower division football is extremely weak and establishing a stronger television presence would seem a starting point to building a better corporate image for league competition as a whole. Competition from other sports in the television market is intense, not least from the Premier League; it would be utopian to even compare lower division football to top class British and European football, but the Football League has the potential to carve out a niche in the TV sports market, possibly following the popularity of college sports and the "minor leagues" in America. Football clubs and the League should also consider possible changes in the nature of competition, which could give the competition a different character from the top competitions. This sort of product differentiation can potentially create bigger interest in League competition and help create a distinctive identity in the sports market.

Another issue is the extent to which League regulations impact on the development of commercial activities at club level. Clearly, there is a need for clear regulation of the footballing competition of clubs, but there have been a few instances where it has been reported that League regulations have prevented clubs from undertaking commercial ventures. In the light of the increasing need for clubs to develop commercial ventures in

order to be viable businesses, regulations of this kind do seem rather antiquated and merit to be critically reviewed.

Uncertainty of match outcome and lack of control over product quality will always be central issues in the football context. A general suggestion would be to focus planning activity on those areas which can be controlled and predicted with greater accuracy. Additionally, it might prove useful for club management to develop better approaches to the concepts of risk and probability in order to be able to more accurately assess the tradeoffs between the adoption of different courses of action such as for example signing new players during the course of the season in order to reach a certain sporting goal.

The short-term business cycle of the industry requires clubs to balance long-term and short-term considerations in their planning. As a way of introducing a higher level of proactivity in the light of this environmental pressure, it might prove useful for clubs to clearly differentiate between adopting a short-term or a long-term perspective. Adopting a distinct short-term perspective would imply a stricter observation of budgetary boundaries during the course of a season and a tendency to keep the contract durations of players within a more foreseeable timescale.

A long-term focus would imply that a club would think beyond the inevitable fluctuations of league competition and be concerned with building capabilities. On the football side, capabilities can be possessed in youth development and in the form of an outstanding team manager. In order to develop a youth development capability, organisational resources have to be combined to create organisational knowledge on how to produce good young players. Creating this type of capability requires a financial and moral commitment as well as a learning desire from the part of the club. Nevertheless, while capability development might be beneficial to the club in the long run, the effects on short-term sporting performance might be negative and would have to be endured.

It has been previously said that competition for clubs takes place in the league and in their local environment. Within their local market, clubs have developed commercial activities and community activities. Since the football business is regulated and the basic industry position of a club is determined by the size of the market it is located in, the only true opportunity for differentiating clubs in similar sized markets depends on the difference in local market conditions.

The research has observed a trend for clubs to adopt commercial activities from each other. From a competitive perspective this means that clubs create the same revenue bases and a higher income by an innovative club is quickly offset. The level of available financial resources is a crucial element in achieving sporting success and creating sources of revenue which are more difficult to imitate can provide a competitive advantage for a particular club. Diversification into social and commercial activities needs to be carefully considered and clubs might be better advised to tailor their choice of activity to the specific demands of their local market, rather than taking over activities practised at other clubs. In some instances, a market analysis might be a useful starting point on the way to identifying viable opportunities for commercial development.

7.3.2 Club Related Implications

Many clubs have expanded their activities from purely providing football. As some activities are closely related to football and others have much weaker relations, clubs can be said to be on the verge to shift the nature of their business from football towards being diversified leisure and entertainment organisations. In order to successfully manage this shift in purpose, clubs have to first of all be aware of it and then address the challenges brought about by this development. New ventures need financial backing, clubs need additional commercial skills, they must understand the nature of competition in the new markets they are entering and devise clearer policies on how to balance their commitments to sporting and commercial success.

A big hurdle in bringing about real change to industry practices is the existence of the strong industry paradigm. Football players, team managers and club owners occupy power bases which have been determined by the long tradition of football. At the present time, the established power structures and ways of behaving are not to the benefit of small clubs. Players are increasingly using agents who prioritise their financial objectives by negotiating the best possible contract deal with clubs. Team managers are the sporting experts at the club; they are solely concerned with the sporting success of the team and their most often selected strategy is to buy players from the transfer market. Club owners want to believe the promises made by their expert and happily provide more and more funds for transfers of uncertain worth while at the same time complaining that player wages have increased manifold in recent years.

In order to change this situation, the roles and power bases of each individual group have to be reviewed and adapted to benefit the clubs. As a general point, it can be remarked that the current competitive environment is not very favourable to small clubs and the introduction of changes for example to the nature of league competition or a reassessment of the clubs' role within their local communities would require a challenge of established beliefs within the industry.

7.4 Implications of Study Results for Strategy Theory

The aim of this investigation was to discuss the difficulties small clubs have with strategy-making by characterising their behaviour according to a number of different perspectives of the strategy process. The main theoretical contribution was thus to see how applicable the different perspectives are in the specific context of small professional clubs. The theoretical implications which are presented below address the concept of strategy as a whole and issues relating to individual elements of strategy, the process and content.

This research has shown the complexity of the task of studying the concept of strategy. The study results have shown the strategy concept can only partly be explained by each of the different perspectives. Strategy was found to be an extremely complex and difficult concept to study due to the multitude of angles from which it can be studied. As a result, it is equally difficult to provide reliable guidance to practitioners on how to address the issue of strategy.

The strong political nature of strategy-making in the small football club context does contest the perception of rational economic decision-making as proclaimed by the strategic planning approach. Different decisions are made by different people for different reasons and under different conditions, sometimes to the point where economic considerations are blatantly superseded by objectives of a different nature. From this perspective, successful strategy-making clearly goes beyond the application of a set of guidelines to a given situation because a pre-selected set of guidelines might fail to take into account the specific environmental conditions of the strategy-making context.

In the strategy content section it was found that the product-life-cycle based approaches were irrelevant because a particular cycle phase, in this case maturity, stretched over such a long time that the life-cycle of the product was not an issue. Porter's (1980) generic strategies could not feasibly be applied in the regulated football market. Football is more of a service than a product and the nature of competition in the industry is such that market-based approaches to strategy do not apply in the same way as they would for tangible product markets. The changes in information technology might lead to a need to rethink the issue of competitive advantage. Where in the past competitive advantage was often in one way or the other based on an information disparity between competitors, the increased information flows ensure now that those types of competitive advantages are quickly

eroded. As a result, the possession of a distinctive capability is ever more important for the success of an organisation with those capabilities needing to be grounded in complex organisational systems which should be that sophisticated or original that their replication cannot be achieved through simple copycat moves.

7.5 Agenda for Future Research

The areas of future research identified by this study are concerned with the issue of strategy in the football club context and the concept of strategy in general.

The football industry does need clearer guidance on how to approach strategy-making within their specific context. One avenue to explore would be to seek out environments which display similar levels of uncertainty and have similar industry structures and study strategy-making in these contexts. Concretely, more guidance is needed on how more reliable tools for risk assessment and the management of the political aspects of the process can be developed and on how the responsibility for addressing strategic issues within the industry can feasibly be divided between the clubs and their governing body, the League.

It might also prove useful to focus attention on the football industries and the running of other sports at an international level in order to identify similarities and differences with the operation of the football industry in Britain.

Within the football industry, the magic question of how to create a winning team remains. This study has identified the sources of competitive advantages in clubs. The individual sources of competitive advantage merit more attention. As competitive advantages are often anchored in people, studies of a psychological or sociological nature would seem useful in order to explore the attributes and personality traits of successful managers and/or players.

One emergent theme from this investigation which merits further study is the impact of information on the strategy process. One of the reasons for the strategy-making difficulties in the football context is the inability to adopt a course of action without the knowledge of competitors. Under such circumstances, it can be hypothesised that successful strategy-making might require new skills and new approaches.

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Appendices

List of Football Clubs originally contacted

Bournemouth AFC	Hartlepool Utd FC
Barnet FC	Huddersfield Town FC
Blackpool FC	Hull City FC
Bradford City FC	Ipswich Town FC
Brentford Football & Sports club	Leyton Orient FC
Bristol City FC	Lincoln City FC
Bristol Rovers FC	Luton Town Football & Athletic Co
Burnley Football & Athletics club	Mansfield Town FC
Bury FC	Millwall Football & Athletics Co plc
Cambridge Utd FC	Northampton Town FC
Cardiff City FC	Notts County FC
Carlisle Utd FC	Oldham Athletic AFC
Charlton Athletic FC	Oxford Utd FC
Chester City FC	Peterborough Utd FC
Chesterfield FC	Plymouth Argyle FC
Colchester Utd	Port Vale FC
Crewe Alexandra FC	Portsmouth FC
Darlington FC	Preston North End FC
Doncaster Rovers FC	Reading FC
Exeter city AFC	Rochdale AFC
Fulham FC	Rotherham Utd FC
Gillingham FC	Scarborough FC
Grimsby Town FC	Scunthorpe Utd FC

List of Football Clubs originally contacted (continued)

Shrewsbury Town FC

Southend Utd FC

Stockport County AFC

Stoke City FC

Swansea City AFC

Swindon Town FC

Torquay Utd AFC

Tranmere Rovers FC

Walsall FC

Watford AFC

West Bromwich Albion FC

Wigan Athletic AFC

Wrexham AFC

Wycombe Wanderers

York City AFC

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20 June 1997

Dear Sir or Madam

I am writing to you to enquire whether you would agree to take part in a research project investigating the way in which Football League Clubs are managed. It aims to explore how long range decisions are being taken in clubs and what factors are the most influential in shaping these decisions given the unique nature of the Football Business.

This PhD project is supervised by Dr. Paul Robins of Aston University in Birmingham. We think that this research is ground breaking in that it is the first to focus attention on the management of Football Clubs. Hitherto this is a neglected yet significant area of academic study. Through this we hope that the research will contribute to a better understanding of Football Club Management.

Therefore, I wish to elicit your views as chairman and key decision maker for the club on this matter. Being aware of your busy schedule, I plan to conduct our interviews during the season break or in the early stages of the coming season. The duration will not be more than one hour and it will be guided by a questionnaire, a copy of which I will send you prior to the interview. You will, of course, receive a copy of research reports and published papers which draw on information collected from your club.

All information collected will be treated with absolute confidentiality and only be used for the purpose of this project.

I hope that you will agree to participate in this study. Please indicate your response either by post or by phone (0121 359 3611 ext.5054) so that a meeting date can be arranged at your convenience.

Yours sincerely

Martin Valynseele

Interview Guide

Main Parts:

- The Business Plan - Degree of Formality
- Parts of the Plan
- Problems / hurdles to carrying out SM
- Influences : Internal - External

Club :

Name of the respondent :

Date :

Part 1 - The respondent

What is your position at the club ?

How long have you been in that position ?

Have you held any other positions at the club ?

Do you have any other occupation at the moment ? if YES,What is it ?

What aspects of your education, training and previous work prepared you for your current position ?

Part 2 - Strategic Decision Making at the Club

BUSINESS PLAN

When do you address long-term issues at your Club ?

Who is generally involved in that process ?

Do you have a business plan ? Is it written ? What is its time frame ? How far do you plan ahead ?

How long have you had a business plan ?

What elements does it comprise ?

- Mission Statement - objectives / Strategy formulation / Market analysis / Marketing plan / Operational plans / Financial Plans / Risk analysis / timetables / action plans / personnel plans

What kind of information do you gather to compose the plan ? How do you get it ? Which sources, if any, do you consult ?

Do you use any analysis tools to assist your decisions ?
(competitor analysis / identification of customer demands / SWOT analysis / portfolio-product analysis / ROI / PEST analysis / Market potential / resource accessibility / ...)

Do you have or have you had any outside assistance such as consultants ?

Are you satisfied with the amount of information that you have at your disposal to assist your decisions ?

If NO

What keeps you from getting additional information ?

DEGREE OF FORMALITY

Is long-term planning an integrated part of your operations ?
Is the process structured ? Is it the same each time ?
Do you have formal strategy meetings ?

If not, why are you not planning formally ?

How else do you anticipate the future of the club ?

What would be the benefits, if any, of having a formal process to tackle the long-term issues concerning the club ?

BUSINESS MISSION

Do you have a written Mission Statement, describing the goals objectives values and aspirations of the club ?

How often is it revised ?

If NO

Do you explicitly reflect on the nature of your business ?

Who develops the mission of the club ?

When is that done ?

What are the things that determine the club's range of activities ?

If not, what are the reasons for not producing a written mission statement ?

STRATEGY DEVELOPMENT

Who develops activities/strategies/options ?

Do you actively seek alternative options to your present operations ? If not why not ? how are you made aware of alternative options ?

What do you do exactly ?

Who takes part in discussing them ?

Who takes the final decision ? (One person-Vote of the board-...)

What are the prime guidelines for the evaluation and selection of options ?

Are many choices not really choices because of environmental (financial)pressures ?

INFLUENCES ON SM AT THE CLUB

How does the fact that you are a Football Club influence your long-term planning ?

Outside influences on the club are manifold, how does that affect your long-range planning activities ?

Which groups are the most influential ?

Shareholders /

Supporters /

Sponsors & advertisers /

TV, Radio, Press /

Football League /

Others /

How is this influence exerted ? Is it direct / indirect ?

Is there a conflict of interests ?

If YES

How can you account for that ?

Does that affect the way you plan ? How?

Do you have any strategic alliances with other clubs ? Do you co-operate on certain levels ? What do you gain from that co-operation ?

Does the Football League assist you in any way ? How does that affect the club ?

Do you have alliances with any other businesses ?

Does the government interfere or help your industry ? How ?

Do issues of a national / European / international level affect the clubs future ? How ?

PROBLEMS

What problems, if any, do you have with long-term planning at the club ?

How could these problems be overcome ?

FOLLOW UP QUESTIONS

Is there anything important concerning long-range planning at your club which has not been mentioned yet ?

Is there anything else you would like to add ?

If in another managerial job : How does SM at the club compare with SM at your other job ?

Is technology a planning issue for you ?